19

PITFALLS OF MINING FINANCE.

"INVESTIGATE BEFORE YOU INVEST."
HOW SHALL I INVESTIGATE?

BY

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Author's Preface

So that there may be no misunderstanding whatever, I desire to state that I am not a mining engineer, mining expert, mining attorney, nor even what is termed a financial attorney.

This book is not written from the standpoint of any of these authorities, nor from that of a mining promoter or broker. I am neither; nor have I anything in the way of mining stocks to promote or sell. I am interested officially in absolutely no mining company or companies.

I am by profession a journalist, and have been actively engaged in practical newspaper work almost continuously since first starting out into the world. I have written this book as an independent journalist, basing my arguments and advice on knowledge acquired through a close association of several years—as a mining and financial writer—with mines, and mining, and mining finance.

Pitfalls of Mining Finance has been written for the benefit of the investing public, and particularly that part of it, living distant from the mining communities and which has not had heretofore even the opportunity of gaining a thorough theoretical knowledge of mining and mining finance.

It is likely that many of my readers may decide to write to me for information or advice respecting individual mining propositions. To give such advice necessitates the conduct of an investigation in every case. Before undertaking such commission I should have to be assured a rea-

sonable recompense for my time and trouble, and then it would be dependent upon whether I had the necessary time and means at my disposal.

Do not forget that an active newspaper man is not by any means the least busy person in a community.

I shall of course be very pleased to hear from readers of this book, and I court the freest criticism where my readers deem criticism merited. I am anxious to hear the opinion of the investing public, on what I have attempted in its interest.

I am sincere in my opinions on the subject of which I have treated, and I have presented my arguments according to my very best judgment. The greatest wish I have, is that I have merited the confidence of my readers.

HARRY J. NEWTON.

Denver, Colo.
June, 1904.

Pitfalls of Mining Finance

CHAPTER I.

AMERICA LEADS AS A MINERAL PRODUCER—OUR MINING INDUSTRY—MINING AND MANUFACTURING—POSSIBILITIES FOR PROFIT IN MINING—PROSPECT MINING —WHY CONSIDER MINING AS A ROMANTIC DREAM?—THE DAYS OF '49 AND THE SUBSEQUENT IMPROVEMENT IN MINING METHODS—SUSCEPTIBILITY OF SOME INVESTORS—SUCCESS ONLY IS ASSURED WHEN BUSINESS METHODS ARE APPLIED TO MINING.

Mining is one of our great basic industries. It constitutes, with agriculture, the source of our national wealth. As America is the great granary of the world, to which all countries, to a greater or less degree, look for their supply of the necessaries of life, so, in mineral wealth, America leads in resourcefulness and diversity of nature's precious gifts to man.

The extent and magnitude of our great mining industry is supported by unimpeachable testimony, to which access may be had by any one sufficiently interested to seek the actual facts.

It is unnecessary to take the word of an enthusiastic operator, an optimistic journalist of the mining states, or the more airy vaporings of the promoter's prospectus. The facts will be found to deal with figures, which, in all conscience, are large enough; and these facts can be had with the official seal attached—the seal of no less an authority than the United States government.

The various national departments deal with facts and figures covering the output of our mines, and deal with

them from various standpoints and in various forms. It is unnecessary to present here a maze of statistics; but let it suffice that in the past few years our total output of minerals has annually exceeded a billion dollars in value.

Statistics further show that in many instances America leads the world in the output of individual minerals, and that this lead is steadily increasing with the constant growth of this monster industry.

Our mineral record is one which should be studied; it is one of which all citizens should be justly proud; but surprisingly, it is one not as generally appreciated as it should be.

The belief is held that, if there were a more general appreciation of the great wealth of mineral annually produced, and of the magnitude of our mining industry that fewer would be found, to denounce mining as risky, speculative—a delusion and a snare.

Verily there must be some good mines, or else, whence would come this wealth of mineral, which is coined into money, used in the arts and manufactories, and according to official testimony, constitutes the basis of our national wealth?

But passing reference can be made to the extent of our mining industry; the men directly engaged in it, and the numberless workmen to whom it indirectly gives employment in every city, town, and hamlet, in this, and other countries. Thriving communities are directly dependent upon our mines, and magnificent cities, particularly in the West, owe their very foundation to the wealth of mineral extracted from the mines in the sections tributary to them.

A vast army of miners finds daily employment and powerful machinery is now used, where formerly slower work was done by hand. Upon the accomplishment of both are dependent many allied industries too numerous to enumerate, but familiar to those who have given the subject but the merest thought.

With the growth of America's mining industry American genius in scientific and mechanical skill has kept pace; in fact the growth itself is consequent to marvelous accomplishments in this connection.

American mining machinery manufacturers lead the world. Their products are used in the mining camps of all foreign countries and they are in great demand, both for their durability and their exceptional advantages for obtaining the best results at the minimum of expense.

American mining engineers are recognized as being at the head of their profession, among those of the entire civilized world. The largest mines of this and all other countries have been developed under the direction of American engineers and so highly are these men generally regarded that they are always in demand in mining districts everywhere.

Mining camps of Africa, Australia, Europe, Asia, Mexico, South America and British North America owe many of their most important developments to the genius of American engineers and due credit is universally given accordingly.

American skill and ingenuity has done much for the mining interests of foreign countries; it has done more for those of America.

A study of mining conditions here will convince the most skeptical that mining, where intelligently conducted, has been divested of haphazard methods and blind development and has been scientifically reduced to what must be characterized as practically a manufacturing basis.

Great manufacturing establishments are built up by a vast outlay of capital. Elaborate and costly machinery is constantly being improved and replaced to meet the never ending competition. The more money invested in this manner the more articles it is known can be produced and the greater profits will result.

How is it with mining?

Study, for instance, our great low grade producers.

Here we find the business upon a scientific basis, on a par with manufacturing. Oftentimes it can be figured to a nicety, for years ahead, just how much profit can be made. The ore bodies are opened up and blocked out, ahead of production. The capacity of the machinery is known and as in the case of manufacturing, it is continually being increased and improved. The character of the ore is determined and the best methods of extracting the values are conducted along lines of the highest form of scientific knowledge.

It costs a certain sum to mine the ore; a certain sum to transport it to the mill, or smelter; and a certain sum to reduce it to the form of metal. A few dollars, or even a few cents a ton net profit, means a handsome sum in the aggregate when hundreds of thousands of tons of ore are handled in a specified time.

What cleaner, nicer, more conservative business could be wished?

The manufacturer is rated as a conservative business man, no matter how much is represented in his plant; the whole of which oftentimes is rendered absolutely valueless by the passing of the market for his goods, due to excessive competition or other causes.

The manufacturer figures down very closely on the cost of production, but always is confronted with the word "market," and no matter how cheaply he can produce, his efforts are valueless if there is no market, and none can be made.

In mining, particularly in gold mining, the operator has no concern about a market. The product of the gold miner goes to the mint and the price he receives for it is staple and unvarying.

The late W. S. Stratton, the man who made the greatest fortune from mining in Cripple Creek, for years was engaged blocking out millions of dollars' worth of gold ore in his famous Independence mine. "Why do you not market your ore?" he was asked.

The multi-millionaire's reply illustrates the safe manner in which he regarded mining. He said:

"Why should I market my ore? It is eating nothing; it is not depreciating one cent in value by remaining in the ground. It is safer there than by being turned into money and that money deposited in the bank. I would as soon have my ore reserves as government bonds. Whenever I need any money all I have to do is to mine some of my ore and I know there is always a ready market for my product."

The story further credits Mr. Stratton with having a certain stope of fabulously rich ore, which he drew on, for the money he needed. It only took a few sacks of this character of ore to net him several thousands of dollars. When he got ready to "cash in" his entire reserve he experienced no difficulty in realizing a sum generally credited as amounting to no less than ten millions of dollars.

And what of the possibilities for profit making presented by the mining industry?

The great wealth amassed by our mining kings has and will ever form the basis of romantic stories and fables of the Aladdin order. Few stories lose much in the telling; but while the actual facts are often distorted, fabulous fortunes have been made and will again be won by nature's fortunate sons.

Admitting that all who engage in mining will not become a Fair, a Mackay, a Hearst, a Clark, a Stratton, a Walsh, or even a Butler, any more than that every real estate dealer becomes an Astor, every railroad operator a Vanderbilt, every oil man a Rockefeller, or every merchant a Wanamaker, the fact remains that mining offers greater opportunity for profit, when intelligently undertaken, than any other form of industry or business.

Again, attention is directed to statistics in support of a contention. Millions represent the dividends paid annually by the public mining companies, to say nothing of

the private fortunes made by individual operation, which are not included in the compilation.

While the truth in this connection is likewise often distorted, the fact remains that the actual figures are in themselves sufficient evidence of the profit earning capacity of mining.

There are dealt in, on many of the public stock exchanges of the country, dividend paying mining securities, at prices which insure a percentage of profit annually far in excess of securities representing railroads, banks or other forms of industrials. Estimating the profits derived by purchasing these securities at a time when the enterprise was but in the prospect stage of development and we get figures, which are enormous, and difficult of comprehension.

These dividend paying mining securities represent mines with ore reserves and cash reserves ahead and controlled by conservative managements, making them safe, as well as profitable, and desirable as investments in every particular.

Prospect mining is tabbooed and discouraged by many people, some of whom should know better. It is characterized as risky and as gambling and investors are urged to have nothing whatever to do with it. Shares in prospect companies are denounced as instruments of the devil, designed solely for parting men from their hard-earned savings and bringing about poverty and distress, ruination and destitution, if not actually degradation and disgrace.

But without our prospects where should we get our producers?

Every producer, great as it may become, must at some time have been a prospect—and not always was it considered a good prospect.

Prospect mining, and prospect companies, are just as necessary and legitimate as producers and dividend payers.

Prospect shares are more risky investments than those representing mines, which are productive and profitable.

Those who say they are not say that which is not the truth and should be disbelieved.

The very character and name of the prospect rates it as a risk. Its value is wholly prospective and none can give absolute assurance of subsequent developments.

But where can a better risk be had with greater possibilities for profit than in a good prospect company, owning a promising prospect property?

With mines, so with prospects, the element of risk has been reduced to the minimum. Prospect mining, honestly and intelligently conducted, can no longer be classed as a blind gamble.

Science has come to the aid of the prospector, as well as to the operator and mine manager. The science of geology has been mastered in such a way that the possibilities of mineralized ground can be gauged, even though the workings constitute but a ten-foot hole. The familiarity with nature of the experienced geologist enables him to read her secrets in a manner which in former times would have been considered legendary.

The geologist, by a study of the rocks, can tell the possibilities for ore with proper development. In some of the newer districts geological conditions exist which puzzle the most experienced, but in the older districts the secret of undeveloped ground is more or less an open book.

Hence it will be seen that the experienced prospector, who is guided by familiarity born of constant search, has his deductions confirmed and his operations assisted by the man of science, who brings learning and study to bear upon the conditions revealed.

Even in the case of the prospect the visionary promises of the promoter need not alone be accepted in the choice of an investment. The geologist or expert will furnish a report, upon which the business man can base his judgment as to whether or not the prospect is a good prospect; a good risk; a good gamble.

The honest promoter, who presents a prospect proposition, will describe it as such. He will say it is good; that it has promise. If it had no promise he would not present it if he were honest. He will enlarge upon its possibilities, promising nothing but an honest effort to develop the ore which he thinks is there. And if this ore is found he rightfully promises big returns on the principal invested.

The element of risk enters largely into prospect propositions. They are only blind gambles when dishonestly conducted and then the investor plays his cards against the stacked deck of the bunco steerer.

Promising prospects, intelligently operated along sound business lines, and honestly handled, offer a very profitable and desirable field for investment—more profitable when successful than any other form of investment.

The aim has been to impress upon the reader that our mining industry, based upon substantial foundations, has attained marvellous proportions; that it is profitable when intelligently conducted and that the element of risk has been reduced to a minimum by the application of scientific business principles in the operation of both mine and prospect.

Why then should those who live in communities distant from the mines regard this industry, this business, as a gamble; as a wild, romantic dream?

The leopard does not change its spots and no more so can mining be correctly regarded from any other standpoint than that it actually is an industry, a business—as much a business as that of manufacturing soap or tomato cans.

The man who has spent years of his life in association with the prosaic, every-day life of a prosperous mining camp is thunderstruck when he journeys away from the mines and meets people who have never seen a mine in their lives.

No one appreciates more the fascination of mining than those most familiar with it. The extraordinary dime

novel, fairy tale, Tom Tiddler's Ground theory of mining and mining camps, possessed by too many, is, however, an entirely different view point, which appeals ridiculously to the man who regards it more from the standpoint of hard rock and a steel drill.

An incident is recalled of the meeting in the smoking room of a Transatlantic liner of a party of men who hailed from all parts of the world. An entertaining conversation was being conducted, confined chiefly to a discussion of the various sections which the different individuals respectively called "home."

A man from a resort on the Atlantic seaboard expressed a wish to go to the home of the Coloradoan to pick up "some of that gold laying around," and which Colorado is famous for producing. The Coloradoan suggested that if the easterner were given the opportunity he questioned if he would know gold from rock.

To this, of course, there was an indignant rejoinder. Taking from his pocket a magnificent and rich specimen from a mine in Cripple Creek, the Coloradoan asked the other for what he took it. The specimen was a piece of white California quartz liberally sprinkled with rusty gold.

After a careful examination it was pronounced "nothing—simply a piece of stone." The Coloradoan, taking his pen-knife from his pocket, burnished the rusty gold until it shone brightly. Again it was presented for examination.

"Why, that's gold," was the triumphant exclamation, but to add to the dismay, and to turn the laugh of the entire smoking room on the easterner, the wicked Coloradoan, replacing in his pocket the specimen, said: "A lot you know about it; it's brass."

We read in books dealing with the days of Elizabeth of the romantic stories of the treasures of the Spanish Main brought back by the illustrious adventures of her time. Youthful fancies and some older ones devour the tales of treasure ships laden with gold and silver and sigh for those good old days when a man, by risking his life,

could win fortunes untold and enjoy all the adventures of getting them.

Very nice to read about, indeed!

More recent history takes us to the days of '49—the glorious days of California. In the days when the famous placers of the West were practically in a virgin state it was for some veritable halcyon days, when gold was picked up in the form of large nuggets; when modern man enjoyed the delightful realization of actually prospecting a "Tom Tiddler's ground, picking up gold and silver."

Not all the virgin placers have been worked and occasionally there are found new camps where fortunes are made in a night. Cripple Creek, Creede, the Klondyke, and Tonopah are not so old, and since their time many splendid camps of monster possibilities have been found.

The Tom Tiddler's ground discoveries have, however, passed into history and it is well not to let stories of such finds carry one away—either mentally or in a wild stampede, to participate in the delusive occupation of "picking up" the nuggets.

Most of the gold produced to-day in America comes from quartz mines and not from placers. Mining has become the occupation of the cool, calculating, matter-of-fact business man, with little of the hardships and romances coupled with it in by-gone days. Not all the big discoveries have yet been made, nor will they in years to come. The vast mineral areas of the West have hardly been scratched and there doubtless lay hidden treasures which, when developed, will mean the establishment of other monster producing camps to contribute to the happiness and wealth of man.

Mining methods have changed. They have been revolutionized since the days of '49. Ore which then was discarded as too low grade, or the existence of which was not even suspected is now made to yield its wealth and contribute to the dividends of mining stock investors.

The mining man has progressed, but not all have kept

pace with the advancement. Those who still regard mining from the romantic dream standpoint, who have a hazy idea of "picking up nuggets," and "shoveling out the gold," are behind the procession. They still view the industry as it is described in the romances and fiction, which deal with the days of '49.

As with mining, so with mining propositions and mining investments. It would seem that when a mining proposition is presented east of the Missouri river—and sometimes west of it—it ceases to be a plain business proposition—and, unfortunately, some promoters claim, with good cause, that they cannot expect to place it when they present it as such.

Some of the wildest and most illogical claims for mining propositions are eagerly considered and the get-rich-quick man finds a prolific harvest if he adapts his scheme to "mining."

Not infrequently people in a farming community are made the dupes of the unscrupulous on account of one of their number having made a fortunate investment in mining. The fortunate individual may have owed his good fortune to intelligent investment, or he may have been just lucky. It matters not; the others attribute it to luck and are found ripe for gambling their money on the next mining proposition which comes along.

The story is told of two members of a farming community entering the office of an agent for mining companies. Another farmer in their vicinity had been fortunate, so they had decided to "invest."

The agent opened a drawer of his desk, in which there were numberless certificates of stock in various companies. Without waiting further invitation the "investors" got busy. They sorted over the certificates and chose those which appealed most to their artistic taste.

"How much are these?" one asked.

"Five cents a share," was the courteous reply.

"Gee! That's cheap," was the exclamation of both. "We'll take all you've got and pay for them now."

When these men eventually realized that they had squandered their money in a blind gamble against a tinseled certificate they could not find terms strong enough to denounce all mining ventures and the next fellow who tried to sell them mining shares was received with a shotgun.

This same class of people display exceptional shrewdness in a horse trade and would no more think of buying a cow without first seeing and examining her than they would of considering flying to church instead of hitching up a team to drive to the place of worship.

In buying a farm or real estate of another kind, the home agent is not implicitly trusted without some personal inspection and examination of titles. If such blind investments were made in real estate, loss would be expected. Yet these same men will gamble their money in "mining" with total strangers and for explanation will say they "just took a flyer."

The man who is selling shares in a legitimate mining proposition expects to do business along business lines, as much so as does the real estate dealer, or the horse trader. If he will not stand for business investigation and for business principles, kick him out for the fakir, which he most assuredly is.

If the stock seller tells of "shoveling out the gold" and talks of millions when presenting a prospect proposition, tell him to get down to earth and to talk business. Millions daze an ordinary business man. He is more used to thousands, or perhaps hundreds. Get the stock seller to your own plane. A better understanding will result.

Mining is not a romantic dream. It is a prosaic business proposition. It is a legitimate business and when honestly and intelligently conducted, offers exceptional possibilities for profit.

Success only is assured when intelligent business lines

are followed in the handling of mines and in the selection of mining investments.

The element of luck enters more or less into all business ventures, but it is only the fool who trusts to luck and gambles his money in mining or anything else. If you must gamble, you will probably get a better "run for your money" at cards or by playing the races.

Investors who clearly comprehend the fact that mining is a business, and must be so followed, have mastered the first and most important lesson to be learned if success is desired.

CHAPTER II.

THE PROMOTER—GOOD PROMOTERS AND BAD—FAKES AND FAKIRS EXIST—SAFEGUARDING THE PUBLIC AGAINST FAKES—THE WORK OF NEWSPAPERS—NATIONAL AND STATE LEGISLATION—NEED FOR MORE PUBLICITY LAWS REGULATING PUBLIC CORPORATIONS—EDUCATION IS THE BEST SAFEGUARD FOR THE PUBLIC—LEARN TO INVESTIGATE—"HOW SHALL I INVESTIGATE?"

The organization of stock companies has proved an excellent means for the raising of capital and the furthering of business enterprises. The system plays a very important part in the business world and is one of the principal modern business institutions.

It provides a means whereby a number of capitalists, by uniting their capital, can raise a fund and engage, as partners, in ventures which would be prohibitive to them were they dependent solely upon their individual means.

Like other valuable institutions, the evil of the stock company lies more in its abuse than in its use.

Mining requires the expenditure of vast capital and the most popular, in fact the only available method of raising it is through the medium of the stock company.

It is an ideal method, for it enables smaller capitalists to invest in a profitable industry which otherwise would be closed to them on account of its expensive character.

As an institution, the mining stock company is made harmful by its abuse.

The promoter of stock companies, whether mining or otherwise, performs a very useful function in the industrial and business world. He is as necessary to business as a banker, or lawyer, and when his operations are conducted along legitimate and honorable business lines, his

occupation is just as respectable as that of the banker or lawyer.

The promoter stands between the prospector and the investor. The prospector who discovers a vein and locates upon it is a long way from having a developed mine. He needs money to develop his claim and not infrequently finds it more difficult to find money for development than prospects to develop.

The promoter undertakes to organize a company, buying the prospect for cash, or giving the prospector an equivalent in stock. He will then sell enough shares among his clientele to provide funds for developing the property.

He frequently is an experienced operator himself, but his business is to finance companies and his success is dependent upon financing successfully, not only for the prospector and himself, but for his clients as well.

The honest promoter will not finance a questionable proposition, but will value his reputation at all times and under all conditions.

The necessity for raising money for mining through the means of mining stock companies has resulted in the springing up all over the country of promoters of all kinds and conditions.

The fascinating and profitable character of mining and the romantic dream idea of mining, held by so many, has resulted in unscrupulous men operating as promoters—and in the birth of fakes.

There are plenty of good, clean, honorable promoters and there are plenty of bad ones. It is a question whether any industry is, or ever was, blessed with so many fakirs, taking away its very sustenance as leeches and thriving by their blood-sucking operations.

So wide have been these operations that in many communities mining has received a black eye which it is a question whether it will ever overcome. Happily, much of the fakir's work has, of late, been offset, and the thriving

and profitable industry of mining is beginning to be regarded in its proper, favorable light.

That business which is founded on confidence encourages unscrupulous confidence men who succeed by cleverly acting their part in fleecing the susceptible element duped by their high-flown talk and assurances. Too much caution can not be exercised by those who have dealings based on confidence.

We place confidence in bankers who have grown up with the community and whose records are open books. Once shake our confidence in them and our accounts are withdrawn.

The fact, therefore, that stock deals often made at a great distance, are based solely upon confidence reposed in the promoter, causes unscrupulous men to seek the confidences of investors for the sole purpose of betraying them.

The large profits made in mining and the prosperous condition of the industry is a reason for the existence of the fakir. By playing on the imaginations of the susceptible with stories and speculations, on fabulous fortunes made in mining, money is secured ostensibly for mining ventures, but more often for the pockets of the unscrupulous promoter.

The stories of the wealth won through mining are, for the most part, founded on fact. The romantic and fascinating character of the industry and its chances for profit are a great temptation—and few but have a greed for gain and dream of a comfortable competency. The temptation is great and a smooth promoter can so play upon the weak nature of an unsuspecting victim that the matter of parting him from his money is not the most difficult.

Then there is the romantic dream idea of mining so prevalent beyond the limits of the mining communities, and to which reference has already been made.

With the existence of such visionary ideas of mining, of such a foolish contempt for business judgment in making investments; of the prevalence of the blind investment the-

ory, the taking of a "flyer" in mining, is it to be wondered that the fake promoter finds a prolific field for his nefarious operations?

Did you ever stop to consider that it is the demand which is responsible for the supply in fakes as well as in other things?

Were there no suckers, would the fakir push his schemes with any expectancy of success?

It is the gullible element which is responsible principally for the existence of the unscrupulous mining promoters, and their blind foolishness for the bad name which mining has earned.

If there were no suckers there would be no fakirs and every cent subscribed for mining shares would be invested in meritorious mining properties for their development and for the consequent enrichment of the world.

But the sucker exists and so does the fakir.

This fact is accepted. It is duly appreciated and duly regretted. The condition has for some time been a menace to the industry, and its removal, or at least the lessening of the evil, has long been a subject earnestly discussed by all friends of clean mining.

The use of the mails by the unscrupulous promoter in pushing his wares has brought many to the toils through wilful misrepresentation of their propositions. The government has prosecuted and convicted many and is still active in the work. But, the mills of the gods grind slowly, and the facilities for this kind of work, even those of the government, are limited.

It is only the more daring fakirs who overstep the limits of the law, and for the government to undertake to entirely eradicate the fake promoter evil would require an application of paternalism which would not be tolerated in this liberty-loving land.

State governments, through their mining bureaus, have helped in the work, but their facilities are limited, the cir-

culation of their cautions cannot be very wide, and they have proved not very efficacious.

But some very valuable work has been done by these institutions, and all due credit should be given them. By the publication of exhaustive pamphlets and works on the conditions in the various districts, these state bureaus have provided means for the investor to correctly inform himself. Not infrequently they have, in unmistakable terms, cautioned investors against squandering their money in certain questionable propositions.

Unfortunately, not even such cautions as these are heeded by some foolish investors. The fakir cries "politics," and, with no further explanation, continues to urge the purchase of the shares in his guaranteed proposition.

Local newspapers have taken upon themselves the thankless task of exposing fakes and ridding their sections of the fakirs. This is a thankless task, and not infrequently a dangerous one.

It is dangerous to the person of the editor, who has frequently been made the victim of an assault by the exposed fakir, and exposure articles, published in good faith, have proved to be unfounded in fact, causing civil proceedings to follow.

Logical newspaper exposures, where sound argument is used, and where the articles are free of abuse and "mud-slinging," are convincing to and heeded by intelligent investors. No clean and reputable publication will lend itself to an unwarranted attack on a mining company, based on malice, or for mercenary ends.

More especially is this the case where the paper is devoted to the upbuilding of the mining industry. Such papers are interested in encouraging and fostering legitimate effort. The more legitimate concerns existing, the more candidates will there be to draw from for advertising patronage.

Those papers which criticize, to flog advertisers into their columns, are blackmailers, and will quickly be branded

as such by intelligent readers, at the expense of both the paper's circulation and its advertising patronage.

Irresponsible criticism by those whose knowledge of the subject is limited will carry but little weight with intelligent minds, by virtue of the illogical character of the alleged exposures.

To all exposures of this character the unscrupulous promoter cries "blackmail." If the paper responsible for the exposure cannot, when demanded, give proof to the contrary, the harm still exists, to the cost of the investor and to the detriment of the industry.

In some instances, mining stock exchanges, handling exclusively the shares of companies operating in certain districts, have, through advertisements in the general press, warned investors to inquire, through the exchange, before buying any shares of companies in these sections. Not infrequently the exchange reports adversely upon all unlisted securities, and at best, as a measure of protection, the scheme is limited in its extent and usefulness.

In some of the Western mining towns, mining organizations have sprung into existence, for the dual purpose of fostering the industry and protecting investors. Some of these can be relied upon for unbiased reports—allowing, always, for the natural local optimism of all mining districts. In many instances, however, investigation will show that these organizations are controlled by a few men, who not infrequently have their own pet schemes, or that they are incapable of giving reliable reports.

Frequently an unfavorable report from the home community is met by the unscrupulous promoter with the cry, "knocker," and while these exist in plentiful numbers, it is often better to heed the advice of the man whom the fakir brands as a "knocker" than that of the fakir himself.

Those interested in purging the mining industry of the pest, which preys upon it, have sought to have laws

enacted for the protection of the gullible element among investors.

A study of the subject will show that, to carry out thoroughly this idea, it would be necessary to have included in the statutes laws even prohibiting the public from making an ass of itself. Verily, the only effective laws in this connection would call for the close confinement, if not the actual killing, of all "suckers," one of whom, we are told, is born every minute.

Absolute protection cannot be provided by legislation, state or national. It is possible, however, to enact laws for the safeguarding of the public and to moderate materially the nefarious operations of the unscrupulously inclined.

In this connection, those laws which provide for greater publicity in the affairs of public companies are the most valuable and efficient. The best test of all companies is to expose them to the glaring rays of the white light of publicity. This light, like that of the sun when it penetrates the hovel or the den, sets forth in all its shamefulness and repulsive character, dirt and filth, deception and crime.

There should be provided plenty of laws, and these, in turn, rigidly enforced, for frequent public reports of all the financial and physical developments of all public companies.

The promoter goes before the public for the sale of stock in his company. He designs to give that public what information it requires, to base its judgment as to the value of the stock and the character of the investment.

The stock is sold, the company is financed, and then, like clams, the unscrupulous promoter and the officers close up tight and leave the public to guess what has become of its money.

The public is as much entitled to information regarding public companies, after these companies have been financed as before. A company which goes before the pub-

lic for stock sale becomes a public company, and remains so for all time.

The good company is gauged more from the standpoint of the amount of information which it gives its stockholders after the financing period than before.

Repentant, after its debauch, during the recent remarkable period of over-promotion and over-speculation, the investing public sees the necessity for more publicity in the affairs of public companies.

There is a growing sentiment, a growing demand, for more publicity laws. The new Department of Commerce was primarily designed for the regulation of public corporations, and slowly but surely it is carrying out much needed reforms in this direction. The matter of national incorporations is being considered, and other measures providing for greater publicity, for full reports, at frequent intervals, are being studied and agitated by repentant speculators and public-spirited citizens who see the necessity for some such action.

An excellent suggestion was recently made in the line of state aid for mining investors. It was, in effect, that there be appointed State Inspectors of Mining Companies. Like State Boiler Inspectors, Insurance Inspectors, or Bank Inspectors, this individual, it is suggested, should be empowered to inspect, and report upon, the condition of public mining companies, the expense of the inspection to be covered by the companies themselves.

Without word of warning the Inspector would drop in at the office of a mining company and make a similar examination of its books as would be undertaken by a stockholder who desired information. In like manner he would visit the various properties, and, in every instance, make his report on conditions as he actually found them. The reports would, of course, be public property, and, together with those which the states should require all companies to furnish, would serve as valuable information for intelligent investors.

This, and all other measures similarly designed for providing further publicity in the affairs of public companies, would prove beneficial. Every investor should champion the cause of publicity and work for more stringent laws providing it.

The state cannot give actual protection to investors; it can help to safeguard their interest and provide a means whereby they can help themselves.

The state cannot prevent investors making fools of themselves; but it can insist upon companies providing the public with full information by which intelligent investors can be guided.

The fool will always be with us, and there will always be found plenty of unscrupulous men to take his money. If he escapes the fake promoter, he will probably become the victim of the sure-thing man in another line, and will find, when too late, that his gold brick is nothing but brass.

But how is the intelligent man who contemplates investment in mining to prevent himself from becoming a prey of the unscrupulous? How are intelligent investors to be protected, while all these measures are yet measures and have not been incorporated in the statutes?

The reader of this chapter will say: "By your own showing I am surrounded like the famous Light Brigade at Balaclava. There are fakirs to the right of me, and fakirs to the left. There are opportunities for great profit presented by good mining investments, but the fakirs are so plentiful, I will be wise if I close my ears to the solicitations of any of these promoters."

By no means. The woods are full of unscrupulous promoters, but the trees of these woods represent the honest men, who are honestly engaged in legitimate effort to finance meritorious mining ventures of great possibility. These, like the trees, are growing in the open places, catching every beneficent ray of the sun; the fakir, like some prolific weed, prospers best in the dark, and he will usually be found hiding behind the stalwart trees of the industry.

All the publicity laws which can be enacted are valueless in assisting the investor, if he does not help himself.

All intelligent men want, in the matter of an investment, is a fair run for their money. They themselves must see that they get it.

Investors must be educated to helping themselves. They must be educated to the fact that there are many pitfalls in mining investments, and they must be educated so that they are able to detect these pitfalls.

The best protection which can be afforded intelligent men is education. Education has solved many other great problems, and will be found the most efficacious in solving this.

By educating the public that fakes exist, and that they must safeguard themselves against them, there will be fewer fakirs. The famous saying of P. T. Barnum is a reflection upon the intelligence of the public, and does not apply to those to whom this book is meant to appeal.

Investors should gather all the knowledge possible of mining and mining finance. They are best armed who are best informed.

They should become firmly convinced that mining is a business, and not a gamble; that successful investment in mining can only be assured when intelligent business methods are followed.

Investors must intelligently investigate before investing in anything. Blind investment is responsible for most of the losses of investors.

Investigate!

And now, the investor will ask, "How shall I investigate?"

By gathering all the information possible, and having a thorough knowledge of all the pitfalls which beset the path of the investigator, and by basing your judgment accordingly upon the information you gather.

Reader, this book is designed to point out the many pitfalls in mining finance. It is designed to impress upon

the investor the necessity of investigation and to teach him how to investigate. Read it from cover to cover; study the facts it seeks to convey, and the arguments by which it seeks to appeal to your logical reasoning.

If it succeeds in conveying a lesson; if it prevents but one poor investment in mining, it has fulfilled its purpose; and it is to be hoped that the reader will be as happy in the thought as the author will be, most assuredly.

CHAPTER III.

SEEKING INFORMATION—INFORMATION AND EVIDENCE —INVESTIGATING THE PROMOTERS—WHO TO APPEAL TO FOR RATINGS AND REFERENCES—INVESTIGATING THE PROPERTY—INFERENCES AND FACTS—BETTER TO GET THE FACTS—ADVISING MAKES EGOTISTS OF US ALL—THE "KNOCKER" WHO GIVES ADVICE FOR A PURPOSE—TWO HEADS ARE BETTER THAN ONE.

Judgment, regarding a mining investment, must be based on information, whether that information be obtained from printed matter, correspondence or a personal visit to the property.

The best judgment will be based by the person who has the best knowledge of the subject considered. Then, the more information obtainable, the easier it will be to form the better judgment.

Let us regard the matter of information from the standpoint of evidence. A jury of citizens is empanelled to listen to, review and give judgment, based on the evidence presented, in a civil or criminal action.

Some of the evidence is favorable, and some unfavorable to the defense. For the most part the witnesses testify according to the side of the case which they represent or favor. The friends of the criminal at the bar of justice, color their evidence to assist him in clearing himself. Some color the evidence to the extent of actual prevarication. The other side attacks this evidence; perhaps succeeds in impeaching the witnesses who have perjured themselves—and introduces other evidence in contradiction.

The jury is confronted with a mass of evidence of varying character, and it must decide between it. The evidence of the witnesses who are shaken is rejected, and the unimpeached, clear cut, statements of fact, decide the case.

The judge defines the law on the subject for the guidance of the jury in arriving at its decision.

And so it must be with the successful investor who investigates a mining investment. Guided by the ordinary rules which govern business, and by, at least, a theoretical knowledge of mining and mining finance, he seeks all the information possible regarding the proposition investigated; weighs it, sifts it, retains some, rejects the rest; and bases his judgment accordingly.

The successful investor does not place inplicit faith in one man, or one firm, and blindly follow the advice given him—especially if this advice is contrary to his own best judgment. He seeks his information, and bases his own judgment.

There is always more satisfaction in an investor acting upon his own judgment than upon that of another. Even though he lose, he knows that he acted on the best judgment he could command, and the well-balanced mind finds content in the thought.

The business man who has not the time to gather the information, upon which to base his judgment, had better keep his money in the bank, or invest it in the business with which he is more familiar and which he can watch in the manner required for the success of all business ventures.

Again, some may argue that it costs time and money to prosecute a campaign of gathering information relative to a mining investment. To what do a comparatively few letters, and a dollar's worth of postage stamps amount, when they result in saving the total loss of several hundreds, or a few thousand dollars, in a poor investment?

It is, indeed, better to be safe than sorry, and careful investigation of a mining proposition, once conducted, will oftentimes open an investor's eyes to the great possibilities presented in this exceptional field, and result in his finding investment for his money which will bring much greater returns than that of his own business or profession.

By all means secure all the information you can regarding any prospective mining venture, conduct the investigation yourself and learn how to discriminate between the good information or evidence and the bad.

As in the case of the jury trying a case, we shall find that some of the information we get is for the proposition and some is against it. Both should be considered and carefully weighed in forming a judgment.

The main point to be considered in both classes of evidence is whether or not it is given for a purpose or whether it is ideal, independent, unbiased opinion,honestly conveyed. This is the most valuable and the less frequently met with.

For the most part the investor's interest in a proposition is first obtained through an advertisement, some circular matter, or a personal letter of the company or the promoter. He will probably be deluged with matter favorable to the venture, all of which comes to him at the instigation of the promoter.

It is an old saying that "a man does not cry 'stinking fish' "—he would not sell much if he did.

On the contrary, he talks in the most favorable terms of his fish, doing his very best to hide the fact that it is not good and to hasten the trade before his customer detects the swindle.

And so must we expect to receive only one side of a proposition from the men who are trying to float it.

The advertisements, prospectus, circular matter, letters, newspaper write-ups and everything else will be favorable to the scheme, or they will be kept away from the prospective investor. This is natural, for after all, it is an accepted business principle.

The investor, if interested, carefully examines all this matter, and gets his first impression of the proposition. He will be influenced by the character of the matter. If a business man, he will be impressed more if the scheme is presented in business terms. If he is not a business man

and is at all susceptible, he will likely be carried away by the visionary speculations and unscrupulous promises of the man who is gunning for suckers.

The careful investor will next give attention to the character of the promoters.

Perhaps he may be already familiar with them. They have, in his firm belief, acted in the past unfairly or unscrupulously with him or some of his friends. If such is the case he will have no more to do with them. Once bitten, twice shy, is a good rule when confidence plays an important part. The honorable business man values his reputation for fair dealing and uprighteousness at all times.

The stock-in-trade of all promoters is confidence on the part of their clientele. Once this confidence is shaken they ought not to expect any more business, for they will not get it from honorable and intelligent business men.

When investing your money on a basis of confidence in the man who is to handle it, be wary of any blots on his escutcheon. If he has been crooked once, what assurance is there that he will not be so again?

Throughout the country there are many splendid mining investment concerns, some of which have been long established and earned an enviable distinction for fair and honest operations. These firms will stand the closest investigation: they are rated with mercantile houses and banks; and their business is just as necessary and honorable. These firms expect investigation, and court it.

Necessarily the established concern of good reputation is the best to do business with. Nevertheless, there are newer promotion firms, composed of men whose entire careers are open books and which are equally as good as the older ones.

Any firm or the individuals comprising it which shun investigation it is well to let alone.

The man who asks credit at his local bank expects to have merited the confidence of the banker by honorable, open dealings in the past. A man in San Francisco asks

a man in Philadelphia who does not know him to loan him $1,000. Would he expect to get the money or even a response to his request without demonstrating to the Philadelphian's satisfaction that he is a good man to trust?

And yet men will invest their money with absolute strangers, whom they do not know and who shun investigation!

It is "up to" the promoter to "make good" his standing to the satisfaction of the man whom he asks to invest his money.

The same steps can be taken in getting a rating of the promoters in a distant city as in getting that of a merchant. The mercantile or commercial agencies will furnish a rating or it can be obtained through the banks. The investor can inquire through his bank or can write to the banks in the city where the promoter is doing business.

He should go further than this. He should ask the promoter for references—if possible the names of people residing in the investor's own town, then he can better judge the character of the information he gets regarding the promoter's standing.

He should write, independently, to merchants and others in the promoter's city; men in the same lines of business as the investor in whom he thinks he can rely. America is not such a large place for business men to transact business and conduct business investigation. Merchants can do it in the conduct of their business, then why not in the conduct of an investigation of a mining investment?

A wholesaler looking for a retailer to act as his agent in a certain city would hardly enquire the standing of a firm being considered of the opposition firm across the street. Do not therefore expect to get unbiased information relative to the standing or anything else from an opposition promoter to the one being investigated. At best, the other fellow will say, that while Mr. So-and-So is good and has a good proposition, he has a better one.

Information from another promoter should not al-

together be ignored. There may be just ground for the condemnation of another firm, and clean promoters are interested in purging the industry of the unscrupulous which prey upon it. Honest condemnation will always be accompanied by proof if demanded.

It is highly important that the most information possible from all sources be obtained relative to the standing, reputation and responsibility of the promoter, the promotion firm and the officers of the company. These are the men to whom is to be entrusted the spending of the investor's money; and much depends upon having one's money in the proper hands.

Nor should the investigation be confined to the officers of the ship; learn something of the ship itself.

In addition to knowing that his money is placed in safe hands, the investor must learn whether or not the price asked for the stock is a fair one. To know this he must, as well as other things, find out something more about the property than is obtained by reading all the nice things which the promoters and officers say about it.

For this inforation he will turn to the locality in which is the property. He will write to people in the nearest town —merchants, bankers, newspaper publishers, etc., etc. He will find out something of the district, its past accomplishments and future possibilities; he will discover the relation to and distance from the producing mines of the property in which he is asked to invest.

If the camp is a new one and only partially developed he will regard the entire proposition as prospective.

He will regard the value of a property as wholly prospective, if undeveloped, or if it is in the outlying territory contiguous to the recognized productive area of a well-known camp.

This information can be easily obtained. The promoter will assist the investor in getting it. The investor must see that the information is authoritative.

A good map of a district is very valuable in determin-

ing location. Study the scale and arrive at correct distances. You will be surprised how very short miles become when treated by some promoters in the matter of distance of their property from the nearest producer or from the nearest railroad.

Except in the case of very new districts, official or authoritative reports and maps are invariably obtainable. Do not forget that we have a United States Geological Survey that engages the best experts to examine and report upon our mining districts. These reports are obtainable from Washington; and they are intelligible to laymen as well as very instructive in describing the magnitude of our mineral wealth.

Many of the states maintain mining bureaus which publish reports of much value to the investor. It is a simple matter to address the capital of the state in which you are seeking investment and inquire if any report or maps have been published covering the particular camp or district. Information thus obtained carries the official stamp of the state and can, of course, be relied upon.

Qualified mining engineers from time to time write reports on various districts for big companies, or for the technical press. These reports are valuable as guides to the investor, and it is a comparatively easy matter to get trace of them.

Get all the literature obtainable, determine which are the best authorities. It will be found that the better class of report is invariably the most conservative. The less matter of this kind available the less is the district known, and consequently more prospective in its character.

Much valuable assistance can be had from the local and technical press; provided care is exercised in the acceptancy of the various reports published. The press is apt to be sensational in the presentation of mining news. The very character of the news encourages big headlines and immoderate language.

Of the various pitfalls in printers' ink mention is made

in another chapter, and the reader would do well to study them carefully.

While it is not always convenient, it is eminently more satisfactory if an investor can meet the officers of the company and the promoters; and better still to make a visit to the property.

Where several men in one community are contemplating an investment, by each contributing his share, one of the number can undertake a journey to the mine to report conditions as he finds them. Or why not couple business with pleasure, and spend your vacation at the camp, in the cool mountains of the west; instead of going to the Atlantic seaboard or the lakes?

This will be found a trip, pleasurable, healthful and profitable, and should be given earnest consideration by investors, who have not before thought of it. There is much to interest one in any mining camp, and the life in the hills is one enjoyed by most people, especially those whose occupation confines them in stuffy offices in our big cities.

It may be argued that an eastern tenderfoot would not be worth much as a judge of a mining property even though he visit it. If the easterner be a tenderfoot in mining, provided he is a business man, he will quickly be convinced whether or not he is investigating a meritorious venture. And then if it is only a 'hole in the ground' he will have had the satisfaction of seeing "the hole," which is more than some unfortunates have—for often there has not even been a hole dug to determine the value of the property.

An intelligent personal investigation will elicit much valuable information, whether or not the investigator has before seen a mine or mining camp. He will find out how the promoters stand locally; be able to study them as men; he will see the relation of the mine to others, which are in a more developed condition and producing. He will find his time well spent and may save the unwise expenditure of some good money.

In conducting the investigation of a mining proposition view with suspicion any attempt of the promoters to keep back any of the actual facts desired for basing a conservative judgment.

The fullest facts should be obtained. Investors cannot be too careful in this connection.

Unscrupulous persons oftentimes claim to give information freely and at all times. Then, when solicited, they write a whole lot, but say little. They deal in generalities; tell about what their neighbors are doing; what certain people say about their property; and generally make indefinite, incomplete and unsatisfactory statements.

The proposition may look good, it may be good; but look out for the nigger in the woodpile.

Sometimes important facts are omitted unintentionally. Sometimes they are not. Take no chances; get the information anyway.

Take a company which has not paid for its property. This fact is not aired in its advertisements, and is not more often alluded to than the promoters have occasion. While it is not wilfully misrepresented that the company owns the property, the omission of the fact that it does not, is oftentimes as wilful, and is always misleading.

Even what seems on its face to be an insignificant matter, that of officers' salaries, whether or not they are paid, may mean much to a proposition. The officers of the majority of prospect companies draw no salaries, and do not expect to, until the enterprise shall have reached a self-sustaining basis. In some cases a nominal salary is drawn for clerical work, and services actually given the company.

There are not wanting instances where large salaries are drawn by the officers of prospect companies, so large in some cases that the best producing proposition would not be warranted in paying them.

Unscrupulous officers can arrange it so, that all the profits of the company can be voted to them, in salaries and expenses.

Therefore, this apparently insignificant matter of officers' salaries must be settled definitely in the mind of the investor. When starting out to find whether or not salaries are paid officers, find out, and do not be satisfied until you do.

The assessable or non-assessable character of the stock; whether or not the properties are patented; whether or not the company is in debt; how many shares actually remain of the original treasury apportionment; whether or not there are any contests or disputes affecting the titles to the unpatented property; these and other important points should be definitely decided.

Regard all omissions and all indefinite statements in a report as distracting from its value. View them with suspicion. It is always better to be safe than sorry.

Facts are fine things to deal in, at all times. Inferences are oftentimes misleading, and damaging.

The statement is made that a certain company "owns and controls" 200 square miles of territory. The inference of many people would be that the company owns the ground. No such thing. Developments show that it probably "owns" a few acres and "controls" may be under bond and lease, the balance. See the difference between the inference and the actual fact?

An outside Cripple creek company says its property is located in the Cripple Creek district; that the formation is the same as on Bull Hill, etc., etc. The promoter advertises stock in his company and makes claims for his property on the reputation of the big camp. When criticised, he asks: "What is the difference?" The difference is that the uninformed infers that he has a chance to get in on a cheap Cripple Creek proposition, when the fact, is that the property is located two miles from the nearest shipper and from the recognized productive area.

A promoter advertises, "Have struck $400 ore." He displays an assay certificate. The inference is that the property has developed payable mineral. The fact is, that

the $400 assay, was obtained from a picked sample of a size, too small, to practicably, and profitably mine. The entire ore body is below the minimum of pay. As a revenue-earner an assay is not an ideal proposition.

Here is a matter which should be duly appreciated. Investors should not invest on inferences. Inferences oftentimes prove unsubstantial as dreams. Do not go so much on what a man says, as what he actually means. Pass up the inference, and get down to the actual facts. More—when the actual facts are not forthcoming, do not invest.

Informants should be investigated or considered as carefully as the promoter, or company officers themselves. There is satisfaction in considering the source of an insult, given by an irresponsible person; and this same virtue should not be forgotten when receiving information upon which to base judgment as to an investment.

Out-and-out rivals in the business of the promoter being investigated have been mentioned. We must not forget that there are also malicious, so-called "knockers" and blackmailers. In addition, there are well meaning but uninformed people who mislead, unintentionally, both by the giving of a bad report, and by the giving of a too favorable one.

The custom of giving advice makes egotists of us all. In all professions, where advice is dealt in, we find individuals setting up—in their own opinions—as better able to give advice than the other fellow.

Did you ever notice how those doctors love one another, when it comes to commenting upon the advice a brother practitioner has given? Did you ever enquire of one lawyer what he thought of the advice of another? Did you ever notice how rarely one mining engineer admits that another one, however, distinguished, can make a better report than himself?

How then must it be with less educated people who are continually asked to give advice, and to express opinions

regarding other men, and the propositions they are floating?

The exchange of advice and "expert" opinions has become a recognized institution peculiar to all mining communities. It has not only made egotists, but discouraging, and damaging "knockers," who, unfortunately, in many instances, outnumber the optimists, and liberal minded men.

Great care should be exercised that the investor does not fall in with some "knocker" in the gathering of his information. Invariably, the maliciousness of the information, is detected at a glance. Not infrequently, it bears the stamp of envy, hatred, or spite. The broad minded man is uninfluenced by it.

The "knocker" usually has something better himself, in which to interest the investor. Few investors place any confidence in men who stoop so low as to unwarrantably assail the character, and undermine the reputation of another man, simply because he is a business opponent. But unfortunately, it not unfrequently happens, that the "knocker" has succeeded in shaking the confidence of the investor, in both himself, and the man or proposition which he was investigating.

The individual "knocker," harmful as is his work, counts only for one. The "knocker's" opinion is simply his own individual opinion.

To what does one opinion amount?

It represents simply one opinion, whether that opinion be upon a mine, a mining camp, a mining company, or a mining promoter.

Invariably that opinion is illogical.

Every business man knows the opinion is insincere; that it is given for a purpose. An opinion given with a purpose is like offering a gift with a string attached—both are equally valueless to the recipient.

The honest man gives an opinion based on his best judgment. It may be a poor opinion, but it nevertheless is honest.

It is only the knave who expresses an opinion with a purpose attached, whether such opinion can or cannot be classed as a "knock."

After all, two heads are better than one, and three are better still.

When it comes to investigating a mining investment get all the opinions you can.

When investors ask, even an authority, for an opinion of a mining property, they should remember that no authority who values his reputation will give an opinion without first having examined the mine. Many investors are mislead regarding a mining proposition by numberless opinions upon it, none of which is worth the paper it is written upon. It is the same in mining as in other lines of business. One good opinion is worth many times numerous testimonials given by people who are uninformed—and often unscrupulous in what they say.

Where a large sum is to be invested by one or more persons it is often money saved in the end, by paying the expenses of a qualified engineer to make an examination of the property. In this connection, too, it is well to remember that two heads are better than one. The company's engineer may have made a mistake. A few hundred dollars expended on engineers often saves thousands thrown away on a worthless security.

CHAPTER IV.

CAPITAL STOCK AND CAPITALIZATION; WHAT THEY CONSTITUTE—THE BUGABOO OF PAR VALUE—APPORTIONMENT OF STOCK—HOW MUCH GOES TO THE PROMOTERS?—CHARTER MEMBER PROPOSITIONS—THE BASIS OF VALUATION AND ESTIMATION—VALUING PROPERTIES AND STOCKS—ASSETS OF A COMPANY—CONSIDERING THE PROPOSED PLAN OF OPERATION—ASSESSABLE AND NON-ASSESSABLE STOCK—PREFERRED AND COMMON STOCK—REORGANIZATIONS AND CONSOLIDATIONS.

In purchasing other things, so also in mining stocks it is not always the low price, which represents a bargain, nor the high price, which represents an over-charge. High priced stock may, in the end, prove cheap, and what was considered as cheap stock, may prove very costly to the investor.

There is a basis of valuation for mining stocks, and to learn how to arrive at it is a most important lesson for the successful investor.

Capitalization, par value, and price of stock, are more or less Greek enigmas to many investors. It requires, however, but a comparatively little study, to acquire a thorough mastery of the subject—and when once mastered it will be found as easy as the proverbial A, B, C.

A company is capitalized for so many shares. These shares have a certain par value, and they are placed on the market, at so much below par or so much above—usually below in the placing of mining stocks.

The promoter talks of treasury shares, preferred stock, and common stock; tells of his low capitalization, and uses many other terms foreign to the knowledge of the investor, and consequently very confusing to him.

Perhaps the investor decides to take the promoters' word for it; perhaps he is duped by possessing a wrong theory for making a valuation, and basing his judgment. He may figure simply from the standpoint of high or low capitalization, or from that of par value, and the relation of the price of the shares to it.

Investors should get down to the very bottom of the subject, and study it out thoroughly for themselves. They will find it comparatively simple.

What is capital stock? An attorney has described it in the following language:

"The capital stock of a company is presumed to represent the amount of money invested in the enterprise, and under the laws of the states this stock must be subscribed and paid for, or partly paid for, and the payment of the balance to the full par value of the stock properly secured, before the corporation is permitted to commence business. In a number of states, however, the statutes under which corporations are created, permit the issuing of capital stock of the corporation in payment for property conveyed to it, "to the value thereof"—but I believe that this provision of the law is practically disregarded and very often the entire capital stock of a company is issued "fully paid and non-assessable" in consideration of the deeding to the company by the promoters of property which represents in actual value at the time but a very small percentage of the par value of the capital stock of the corporation.

"The entire capital stock being so issued a portion is donated to the company to be disposed of for the purpose of raising funds to develop the property—this is termed treasury stock. All the remaining stock of the corporation is practically "promoter stock"—however, it sometimes happens that the original owners of the property conveyed to the corporation are not among the promoters and then after the stock has been donated to the treasury the remainder is divided between the owners and those who promote the undertaking—upon a basis agreed upon between them."

The capital stock represents the total number of shares for which the company is incorporated. The capitalization represents this number multiplied by the nominal par value of the stock as named in the incorporation.

A company incorporated for 1,000,000 shares, par value $1.00 per share, would have a capitalization of $1,000,000.

1,000,000 shares times $1.00, par value, equals $1,000,000 capitalization.

A company incorporated for 5,000,000 shares, par value 1 cent per share, would have a capitalization of $50,000; 5,000,000 shares times 1 cent, par value, equals $50,000 capitalization.

Now for the bugaboo of par value.

Par value is simply a nominal value required to be placed on the stock of all companies when incorporated to conform to the requirements of the corporation laws of the various states. These laws vary with the different states, and so also does the fee charged for incorporating, and the taxes under the laws of some are based upon the nominal par value of the capitalization.

Incorporation fees and taxes have had much to do with the variation in form of capitalizations.

Under the laws of some states no par value of less than $1 per share is permitted. Under other state laws, a par value as low as 1 cent per share is allowed.

During the Spanish war a revenue tax based on the nominal capitalization of companies was imposed. It will be at once obvious why promoters incorporated under the state laws which permitted a low par value per share, and a consequent lower nominal total capitalization, without of necessity reducing the total number of shares in the capital stock.

Perhaps the greatest confusion arises from the fact that government, state, and municipal bonds, as well as railroad, industrial and many other forms of security are usually floated at par.

Investors used to dealing in such securities cannot understand why our mining stocks, having say a par value of $1 per share, should be selling on the basis of a large discount on par—sometimes at only 5, or 10 cents per share.

It must be remembered that other securities for the most part represent developed enterprises, the earning power of which has usually been determined before the comnies are organized, and floated; while prospect mining shares represent undeveloped enterprises, the earning capacity of which, is yet to be determined. As development proceeds, ore is disclosed, and shipments made; the enterprise arrives at a profit earning basis. The value of the stock enhances toward the nominal par value, if not far above it.

The same result would be had were prospect companies organized with low capitalizations and the stock placed at par. The advancement in price would then mean, that the stocks would sell at so many times their nominal value, so great are the possibilities for enhancement in value of this class of securities. The general practice in financing prospect companies, is to float the stocks below their nominal par value—that is when the par value per share is high, and not when it is low. Then the reverse is usually the case.

The par value of shares is therefore simply a nominal, fictitious value, which has practically no significance, except as it relates to the fees and taxes, under the corporation laws of the various states.

The point to be considered by investors is that of valuation, whether or not the price asked is too high, or too low. To master this point, we must first consider, the matter of the apportionment of stock.

A company is organized, and incorporated for so many shares. Part of the stock is donated to the treasury to be sold to raise funds for development, and equipment, as occasion requires. The remainder goes to the promoters or others in consideration for the deeding of the property

to the company. These two forms of stocks are respectively classed as treasury and promotion stock.

This first apportionment is a vital matter for basing a judgment as to the proposition.

The very success of the enterprise depends upon the raising of funds by sale of treasury stock to develop the property. The purchasers of treasury stock, through their money, are to bring the proposition to a profit-earning condition. Have the promoters given due consideration to this fact? Have they "hogged" too much stock as their share? Have they jeopardized the success of the enterprise? Have they robbed the purchasers of treasury shares of all profit by a too liberal apportionment of stock to themselves?

This point has led some conscientious and enterprising promoters to organize along new lines, thus enabling, those whom they invite to make their enterprise a success, to participate on the ground floor basis. As a result we have what is known as charter member propositions.

Under this system the investing public is invited to join the promoter in acquiring property, and organizing a company. The promoters' profits are thereby shared by the public, and the public gets in at the promotion price.

A pool is formed for $1,000, $5,000, $10,000 or more, perhaps, to grub stake a prospector to locate claims in a new mining camp, or may be to purchase a property in an old one. The intention is to organize a company on the property located or acquired.

The promoter may yet be acting as a middleman and take a small profit. The character and extent of his profit or "rake-off" will depend upon the character of the promoter.

The company is organized, and the stock is apportioned. In this instance, the promotion stock is divided among those who constituted the pool, and perhaps some of the money subscribed for the pool has not been used. and thus forms the nucleus of the treasury fund. Then

a block of the treasury shares is sold, to raise money for development, and the "inside" investor will know, whether or not, the price asked is a fair one; whether it represents a fair basis of valuation for the property.

To arrive at the basis of valuation of a proposition we must ascertain how much stock there is outstanding. The outstanding stock represents the promotion stock, and that part of the treasury stock which has already been sold—the total capital stock less the actual amount remaining in the treasury.

By a simple multiplication of the outstanding stock, with the price per share asked for the treasury stock, we get the valuation, arbitrarily placed upon the proposition.

A property we will say costs $10,000, either to the promoter, or to those who by subscribing to a pool, have joined him in acquiring it. A company is organized with a capital stock of 1,000,000 shares. The par value need not be considered, after it has been determined which is the most advantageous nominal value to be given it, in incorporating the company.

Now then, we will donate to the treasury 500,000 shares. This is considered a liberal donation, but is it? That will depend on the price asked for our treasury shares.

We will ask the public to pay 20 cents per share for our stock. What do we find?

Our outstanding stock amounts to 500,000 shares. Multiply 500,000 by 20 cents, and we get $100,000 as the valuation of our property—and we are dependent upon the purchaser of treasury shares to develop our proposition to a profit earning basis!

Is this a fair deal to the public? Our stock costs us: $10,000 divided by 500,000 shares which equals 2 cents per share, or $20 per 1,000 shares. The purchasers of treasury shares pay $200 per 1,000. When dividends amounting to 12 cents per share per annum are paid, the purchaser of treasury stock gets 60 per cent. on the principal he invested and we get 600 per cent.

This exaggerated illustration will appeal to some in such a manner that they will wonder why in the past they have permitted themselves to be robbed so blindly. Others will say, that they would be perfectly contented with the privilege of earning such handsome profits, even though the other fellow makes so much larger ones.

Let us look at it from another standpoint. Supposing the proposition did not prove profitable; suppose it resulted in an absolute failure. Who sustains the heaviest loss?

The ground floor stockholders lose $20 per 1,000 shares; the purchaser of treasury stock who took the largest percentage of risk loses $200 per 1,000 shares. Is there any logical reason, from any standpoint of business, or finance, for the existence of such a condition as this?

Investors, see that you get a square deal. Figure out propositions which are presented to you. Get down to valuation. See that the other fellow is not getting all the interest, and all the chances for profit, while you stand to make much less percentage of profit, and have to take all the risk.

This is the acme of intelligent investment.

High capitalization, or low capitalization; high par value, or low par value, has little to do with it. Figure from the standpoint of actual valuation, and discover whether or not you are being robbed.

A word more on the subject of capitalization, and then we will consider further the matter of fair valuation for mining properties, and mining stocks.

It has become the practice for some promoters to capitalize for a large number of shares, and to sell treasury stock at what appears to be a ridiculously low price. We have companies capitalized for 5,000,000, 10,000,000, or even 20,000,000 shares, which offer their treasury stock at, sometimes as low as $1 per 1,000 shares.

Did you ever stop to consider to what 1,000 shares in a 20,000,000 share company amounts?

In a 5,000,000 share company, 1,000 shares represents

but one five-thousandth part. In a 20,000,000 share company the holder of 1,000 shares has a twenty-thousandth part—provided of course the entire capital stock is issued.

The matter of holdings in a company should be considered always from the standpoint of an interest, The man who pays $500 for an interest in a mercantile business which is valued at $2,000, knows that he gets one-quarter.

Capitalize this business for 20,000,000 shares, and if the same man purchases the same interest, he should receive 5,000,000 shares.

By placing say 5,000,000 shares in the treasury, the outstanding stock will be 15,000,000 shares, and the one-quarter interest will then amount to only 3,750,000 shares.

There would be no good reason for capitalizing this business for so many shares, for there would be little likelihood that the shares would have to be sold in 1,000 share lots. But supposing they were, what kind of a fortune would the man who bought 1,000 shares—a twenty-thousandth, or a fifteen-thousandth interest—expect to make?

Of course in a prospect mining company the chances for profit are greater, but nevertheless the stock would have to advance tremendously, and monster dividends on the entire issue, would have to be earned, before our holder of 1,000 shares, would realize that he made any profits at all.

To acquire large holdings in a company with a big capital, so that a larger proportionate interest would be had, is a different matter. To dabble in infinitessimal interests is petit larceny investment, and the man who encourages them, tends to mislead the small fry of investors, who are looking for something-for-nothing—who expect to put in a dollar and pull out a million.

In this connection also, it is well to remember that 10 dimes make a dollar, and many petit larceny robbers, like beggars for pennies, often amass large sums in the aggregate.

There have been instances where the public has been

mislead into accepting as premiums, five or even one share of stock, in 1,000,000, or 10,000,000 share companies. The premium from the standpoint of the interest it represents, is worth but little more than the paper upon which it is printed.

The perniciousness of very low priced, and very small blocks of stocks in highly capitalized companies, lies in the fact that they are apparently cheap.

It is an accepted fact that vices, the indulgence in which costs little, are relatively more harmful than those which cost much. For instance, the nickel-in-the-slot machine and the 10-cent policy play are as pernicious to some classes as the poker game or roulette wheel, where the stakes are higher, are to others. The same principle applies to stock selling. A man would lose his money if invested in a dozen worthless low-priced companies, just the same as he would if investing it all in one worthless high-priced one. Beware of mining investments, the only attraction of which is their apparent cheapness!

The larger the capital stock, the smaller interest is obtained by purchasing 1,000 shares. The larger the capital stock, the lower must we expect to find the price of shares, to get an equal valuation for the property—and vice versa.

There is no difference between a company capitalized for 100,000 shares selling its stock at 50 cents a share, and one capitalized for 1,000,000 shares, and selling at 5 cents a share. In both instances the property would have a market value of $50,000.

The accompanying tables will help investors to arrive at the essential basis of valuation in forming their judgment regarding investments.

No. of Shares.	Par value.	Capitalization.	Market price of stock.	Value placed on property.
10,000	......$100	$1,000,000	$20	$100,000
20,000	 50	1,000,000	10	100,000
100,000	 10	1,000,000	2	100,000
200,000	 5	1,000,000	1	100,000
1,000,000	 1	1,000,000	20c	100,000
10,000,000	...... 10c	1,000,000	2c	100,000
20,000,000	...... 5c	1,000,000	1c	100,000
100,000,000	...... 1c	1,000,000	$2 per 1,000	100,000

CORRECTION.

The tables appearing on pages 52 and 53 have been inadvertently transposed. That on page 53 should have been on page 52, and vice versa.

When half the capital stock is placed in the treasury a higher market price per share brings the same valuation for the property.

No. of Shares.	Par value.	Capitalization.	Market price of stock.	Value placed on property.
10,000	......$100	$1,000,000	$10	$100,000
20,000	 50	1,000,000	5	100,000
100,000	 10	1,000,000	1	100,000
200,000	 5	1,000,000	50c	100,000
1,000,000	 1	1,000,000	10c	100,000
10,000,000	...... 10c	1,000,000	1c	100,000
20,000,000	...... 5c	1,000,000	$5 per 1,000	100,000
100,000,000	...... 1c	1,000,000	$1 per 1,000	100,000

In ascertaining whether or not a fair valuation is placed upon the proposition, we must take into consideration many things. After arriving at the actual market valuation, arbitrarily placed upon it by the promoter, we must consider the assets, and possibilities of the proposition.

The assets of a mining company can comprise many things. There is the property, and the development accomplished; the ore reserves, if any; the machinery and other improvements; the cash reserve, and unsold treasury stock; bills receivable, representing ore marketed, and not settled for, and subscriptions outstanding for stock sold on the installment plan; and last but not least the management. All these things must be taken into consideration.

Property is the chief asset of all companies. The property is good or bad; developed with ore in sight, or an undeveloped but promising or unpromising prospect.

In estimating the value of a producer, we can judge it from the standpoint of reserves, and productiveness; from its profit earning capacity. In this we shall be guided by the report of a qualified mining engineer who can inventory the ore as a merchant can a stock of goods.

With the prospect it is different, and we must be careful to rate it from the standpoint of a prospect, and not from that of a shipping mine.

Prospects are valued on a basis of acreage. Like unimproved town lots, they are rated from the standpoint of location. The town lot in an aristocratic neighborhood, surrounded by fine mansions, or busy mercantile establish-

ments, comes higher than that situated in a lonely suburb, forty miles from nowhere, as the natives will tell you.

The corner lot is considered more desirable, and so is the prospect with a good location, or a favorable surface showing.

Outlandish prices have been paid for unimproved outside real estate, where due caution has not been exercised by the purchaser, and the same danger lies in blindly buying prospects or blindly buying into prospect companies.

We must, in investigating our prospect find out what acreage in its vicinity is bringing on the market, and see that the price which we are asked is not unduly inflated.

In doing this we shall bring into requisition a good map of the district, and we shall direct enquiries to people familiar with conditions, and prices. We shall look up the neighboring properties, and figure the basis of valuation upon which their stocks are selling. If these are dividend payers, we can figure also the market price of the stock, and the percentage of annual interest paid upon it in the form of dividends.

We must not be surprised if we find that the prospect is valued at a relatively higher price than the mine. If we are intelligent investors, the promoter will be surprised if he gets our money under any such condition.

Some companies owning but a few claims, and these unproductive and undeveloped, sell stock on the basis of several hundred thousands if not millions of dollars for the property, when stock in good dividend-paying mines could be had for less price. This is robbery, and is practiced upon people who invest without stopping to estimate valuation.

One hundred dollars worth of work annually, holds an unpatented claim, and \$500 worth of work is all that is required for patenting. The expense of patenting is a few hundreds bringing the total sum barely into four figures. Yet some promoters, after getting such claims into a company, enhance their valuation figured from the standpoint

of the capital stock and price of treasury shares—to five, six and sometimes seven figures.

Of course all undeveloped claims cannot be figured on the basis of the actual cost of locating, and patenting. The situation of the claims must be considered, and also the character of the 'showing,' opened by development, and the extent of the development.

Patented property is more to be desired, and safer than unpatented property. A patent is a deed to the clear title of the property given by the government. Unpatented property is always subject to adverses, fighting which costs money, and compromising which usually means the sacrifice of some ground.

Be careful, therefore, to ascertain whether or not the property is patented, and if unpatented, whether or not any contests or disputes, have arisen to affect the titles.

Ascertain, also, whether the company actually owns its property, or simply holds it under lease, or lease and bond.

When a company tells of controlling property, look out for defective titles in the matter of actual ownership. The term "control" is a favorite one used when properties are held simply under bond.

A bond on a mining property comprises an option to purchase within a specified time at a specified price. A company holding simply a bond on property, expects if it purchases to raise the money by sale of treasury shares notwithstanding, in many cases, a liberal apportionment of stock has already been made to the promoters—for what?

Some companies simply hold leases on ground with no option to purchase, some operate as leasing companies, some do not.

In estimating the valuation of stock in companies holding simply leases, take into consideration the fact, that however productive the ground, these companies can operate it only for a limited period, when it reverts to the actual owners.

Ascertain how much stock the promoters have apportioned themselves in these companies, and discover what excuse they give, as their consideration for providing for the lion's share of any possible profits.

- The lessee has the privilege of mining the ore on a prop erty, and for this privilege pays the owner 5, 10, 15, 20, 25, and sometimes 40 per cent royalty on the gross proceeds of the ore.

Every foot of work done enhances the value of a mining property, and we must also consider the cost, and value, of machinery, and other improvements. Roads, cabins, blacksmith shops, ditches, the timbering of the workings, rails and tools, all cost money, and must be considered.

If there is any machinery, see that not too high a value is placed upon it. See that you are not paying on a basis of the price of a double drum hoist, or a 30-drill compressor, for only an "armstrong hoist," which is the miner's term for a windlass propelled by hand.

Natural facilities, such as wood and water, are also valuable assets in a mining proposition.

Reverting to the company, and its finances, we must consider its cash, and other assets. There is a big difference between a company having $50,000 in cash, and one having only $50. There is a still greater difference when the company is $50,000 in debt. This matter must be exactly determined in forming our judgment relative to a fair valuation.

Some companies sell their stocks on the installment plan, thus providing a steady, and regular revenue, and making it easier for some stock buyers to pay for their stock. This is a good plan, and a perfectly proper one. We must figure unpaid subscriptions as one of the assets, classing it under the head of "bills receivable."

Where the company is producing, it may have ore in transit; or yet at the smelter, unsettled for, and this is another asset which comes under the same head.

The number of shares still remaining in the treasury is an important point to consider. This reserve is set aside for the "rainy day." It becomes very useful, when contingencies arise; requiring the raising of additional funds; and when there is no such reserve, the company is fortunate if it can weather the storm. It is at this point, that the company, rather than becoming bankrupt calls for assessments or undertakes a reorganization.

There is another matter of "rake-off" on the part of promoters, which investors may overlook, and which is an important one to take into consideration, always, when basing a judgment on a mining proposition.

The stock is advertised at a certain price per share, and naturally one's first thought is that every cent, actually goes into the company's treasury for development purposes. But our promoter friend has got to live, he ought to live well, for he is a benefactor, but let us see that he is not living too well—at our expense.

Of course the promoter is entitled to a commission, and the cost of his expenses for selling the stock and raising the required fund. He has office expenses, and that of clerks, besides the cost of advertising, travelling, and many other things. Now then, if he has not already apportioned to himself a large block of the stock, ostensibly to cover the cost of promoting, we must allow him a fair amount of the gross proceeds of the sale of treasury shares.

Some promoters can raise money at a cost of less than 10 per cent. Some require 50 per cent.—some 'hog' more. The main point, always to be considered, is how much of your money actually goes to the development and equipment of the mine, and how much to the promoter for expenses.

Ask the promoter. It is your business to know. If he be honest, and clean, he will proudly point to the small percentage he takes for promoting. If he has struck 'snags,' and his percentage has been increased, he will explain the conditions fully. If he is getting more than his share of

the money, you may expect indefinite statements, or an absolute refusal to impart the information desired.

But do not rest until you learn absolutely.

There have been instances where treasury stock has been optioned at a low price to agents who have underwritten the stock and guaranteed to raise so much money. They increase the price, sometimes to many times that of the option price—and pocket the difference.

Some stock offered at 50 cents, or $1 a share, has been optioned by the company at only 10 cents a share. Instead of 50 cents, or $1 per share going into the development fund of the company, as many purchasers of the stock might suppose, only 10 cents a share reaches it, and not infrequently a commission is charged the company on the 10 cents.

When you are asked to become a shareholder in a company you have a right to know how much of the money you are asked to invest actually goes into the company's treasury, and you will be foolish to invest unless you ascertain this definitely and exactly to a penny.

Having determined what the company has, and what it gets, we must now turn to what it wants, and what methods it proposes to follow to get it.

It takes money to mine, and plenty of it. It takes money to develop the most promising prospect into a producing proposition. The mistake is often made of providing for too small a development fund. There are instances where companies have exhausted their treasury stock at a low price, and even though the money raised has been actually expended in work, the fund has proved insufficient to thoroughly exploit the promising showing.

A safer, and more liberal minded policy, is that of selling at a higher figure, thus not only arranging for funds to accomplish surface scratching, but to provide amply, even for buying machinery necessary for the successful development of prospects into mines.

The 50-cent stock is preferable to 1-cent stock, when the

money raised is actually invested in intelligent development on the property. When the proceeds of the stock are not invested in the property, half a cent a share is dear, whereas when it is honestly handled, for the best interests of the shareholders even a dollar a share is cheap.

The higher the price of treasury shares the smaller must be the apportionment of promotion stock, for the higher valuation we shall get for the proposition, based on the outstanding stock, and the price of the treasury stock.

Ample provision will be made by all meritorious companies for the necessary development fund. View with suspicion those that do not make such a provision, and have nothing to do with the man who promises big dividends, with the expenditure of but a few hundred dollars—he is not familiar with his business.

It takes money to develop the best prospects into mines, and big money to handle mines after they are developed. The improvements alone at many of our big mines represent individual investments of millions of dollars.

If the money raised is for the building of a mill, ascertain first, whether the ore has been thoroughly tested, and is amenable to the process designed. Large sums of good money have been lost by blind investment in this manner.

If the money is for the purpose of driving a blind tunnel, to tap at great depth, veins which show up well in surface workings, and there is no deep work in the section to have determined whether or not these veins are productive with depth, consider the proposition as largely prospective—even though a good risk. It takes money to drive long tunnels, and if there is nothing to reward the work, to what does your investment amount?

In arriving at a fair basis of valuation, all these things must be taken into consideration. We are considering now only the prospect company. If it is a good prospect, a good risk, an investment can be made with a fair chance of profit. The prospect offers big opportunities for enhancement in value, of the security it represents.

We shall be willing to accept a fair risk,, and acordingly pay a lower price for this risk, than we should expect to pay were there none; were the proposition already developed to a profit earning, dividend paying basis. But we must see that the other fellow is not getting his risk at a too much, relatively, lower price, than are we, or any way that we are not paying too high.

It is not the actual price per share we must take into consideration. Fifty cent stock will be relatively cheaper in a company capitalized low, than 10 cent stock in one capitalized high. We must not forget our basis of valuation. We must not forget all the various points we must take into consideration.

Never mind what another man paid for his stock, in another comapny, organized along different lines, and under different conditions. Never mind how much profit one man made by purchasing 100 shares in a certain company. That company may have had only a 10,000 share total capital which means the equivalent in actual interest in the company, of 10,000 shares in a 1,000,000 share concern.

View individual valuations from their own individual standpoints.

Above every thing else, get as near as you can to actual valuation of the proposition. If the arbitrary valuation placed by the promoter, as gauged from the standpoint of the price of the stock, shows that his demands have been in excess of the service he has rendered, pass him up for a robber.

There are other classifications of stock, beside straight treasury and promotion stock, and the character of some stock, is differently described under various forms of incorporation.

Investors should be careful to distinguish between assessable, and non-assessable stock. The former as its name implies is subject to assessment at the discretion of the directors. The holder of such stock must be prepared

to meet any assessments made, or sacrifice his holdings for failure to contribute.

The holder of non-assessable stock cannot be made to contribute any money after his stock is once paid for, although with other stockholders he may participate in voluntary assessments.

Both kinds of stock serve a useful purpose, but investors should thoroughly understand the obligations they carry before purchasing either.

In some instances stock is divided into what are known as common and preferred shares. Not infrequently the common stock is given as a premium with the preferred.

The preferred stock carries a preference, usually in dividends. So many dividends will be paid to the preferred stockholders, before the common participate. In this particular, they bear a similar relation to the company, which a first, and second mortgage bears to real estate—except that the preferred stockholder cannot foreclose to secure a sum equivalent to his preferred dividends. The company is obligated to pay his dividends provided only, they are earned.

It is the bond-holder, or the holder of a mortgage, who can foreclose on the mining company's property, as they can under the law in other instances. It is unnecessary to discuss further such matters as these, they come more under the head of legal practice, and are more or less familiar to business readers.

A word of caution should however be given that the investor keep a weather eye open, for all flaws, and clouds on titles, affecting both his own stock, and the company's holdings, and organization.

Frequently reorganization, or consolidation schemes, are promoted, and these afford the unscrupulously inclined opportunities for getting more than their share, and otherwise imposing upon those less informed. It is at such times that the shrewd investor will find very useful the knowledge he has acquired, of arriving at a basis of valua-

tion. He will be able to apply the knowledge to good advantage.

In both instances, it is simply a question of figuring out the proposition for exchange of stock, which is presented by the projector of the scheme, and then applying the same principles as used in the first case in forming a judgment based on a fair valuation of the proposition. See how much the "inside" is getting, how much it is costing them for the amount of risk which they incur; and what is the relative price they are asking you to pay, for the greater risk they expect you to take.

Such propositions appear confusing at first, but they are not, any more so than the subject of capitalization; apportionment of stock; and basis of valuation; which it is hoped now is clearer to the reader than when he commenced this chapter.

CHAPTER V.

MINING FAILURES DUE TO INEFFICIENT MANAGEMENT—PRACTICAL MANAGEMENT ESSENTIAL—GOOD MINE DOES NOT ALWAYS INSURE A GOOD COMPANY—DUTIES OF DIRECTORS—"FIGUREHEAD" DIRECTORS—MANIPULATION BY THE "INSIDE"—INVESTORS SHOULD DEMAND FREQUENT REPORTS—IGNORANT AND UNSCRUPULOUS OFFICERS AND PROMOTERS—WAIVING RESPONSIBILITY.

No use for a mine which will not stand a poor management!

Strange as it may seem, the foregoing sentiment has been frequently expressed; such a short-sighted, idiotic policy has not infrequently been followed.

Stranger still is the fact, that the guilty people in this connection, are sometimes found to be men, who are rated as good business men, in other lines of commerce, and industry.

Perhaps the poor management theory is due to a contempt, on the part of some men, for mining ventures. Perhaps it is, because these men have indulged in delusive dreams, of the fabulous wealth they are to win from their mining ventures, and that they have already developed a disdainful contempt for money. They have money to burn, and they care not who helps them burn it.

In both instances these men display a lamentable ignorance, and like other fools, they will, from their money, be quickly parted.

A well informed Black Hills man said recently:

"I've about concluded that a majority of those fellows would make a failure of the Homestake itself, if it were turned over to them bodily and without cost."

He was referring to those people who are endeavor-

ing to make capital for their own propositions on the strength of what the Homestake mine has accomplished.

The record of the Homestake is due to an efficient management.

It has been accomplished by the application of scientific principles; by the closest possible figuring; by the same business administration necessary for the success of a big manufacturing establishment.

Mining is as much a business as manufacturing, and must have the same efficient business management to be successful.

A large percentage of the failures in mining can be traced to inefficient management.

It too frequently happens, that the man selected for the management of a mining enterprise, is one, who has already failed in everything else he has undertaken.

Perhaps he is a young man, of a wild disposition, perhaps he is foolish, perhaps he is dishonest, and has disgraced himself and his family. It matters not, in the opinion of some, he is good enough to send West to manage a mine—and mining is condemned, because he fails to develop a bonanza profit-earner, for the men who had no further use for him in the home community.

The mining camps are represented by many of these inexperienced mine managers, who have not enough business wisdom to successfully manage a peanut stand. They are the laughing stock of the miners, and when they make themselves good fellows, the miners help them to spend their money—and not infrequently some of the company's also.

"Every man to his trade." Mining people want to see experienced mining men in charge of mining properties. It is better for these properties, better for the industry, and better for the investors, who participate in mining ventures.

Investors, when choosing their investments, should see that the affairs at the property are in capable hands. See

that the man in charge understands his business; that he will conduct the work not only efficiently, but economically, as well, using the funds to the best advantage. Look up his record. Enquire regarding him, as thoroughly as you would, if a merchant, and were employing an experienced foreman, or manager.

The business man would hesitate, before entrusting the investment of $1,000 in a business in his own town, the money to be handled according solely to the judgment of an employe, whom he had previously engaged for a number of years. Yet this same man, will send a ne'er-do-well, thousands of miles away from home, to spend for him, perhaps $10,000 in a mining venture!

Good, practical management is an important factor in the success of all mining enterprises. See that you get it.

While the actual operations at the mine are in charge of the mine manager, his operations are, to a large extent, directed by the board of directors of the company. It is necessary, therefore, to make sure that the proper men are selected to represent the stockholders on the board.

It is not altogether necessary that the directors themselves be practical mining men. It is better in some respects if they are, but it is not always practicable. Directors being chosen by vote, the heavier vote is represented by their own stock, or that of their friends, and by virtue of their financial strength, capitalists and business men invariable control mining companies.

Where directors themselves are not practical mining operators, their judgment will be influenced by the advice and opinions, both of the mine manager and the engineer, or expert.

It is essential that in the direction of affairs at the mine that the directors work for the best interest, not only of themselves, but also of every individual stockholder in the company.

A good mine does not always insure a good company. A bonanza producer does not always mean big profits to

shareholders. Investors must see that they invest in a good company, and that the affairs of the company are controlled by the right kind of men.

An individual stockholder becomes a partner in the enterprise being conducted by the company. He is a partner without liability, and he has rights, as well as the directors, or officers, or others whose holdings may be many times as large as his own.

The directors, and officers, are trustees for the stockholders, and are chosen to represent their interests, and to conduct the affairs of the company in the most advantageous manner.

They are trustees for the stockholder's money,, and are responsible to the extent of giving an exact accounting for every cent.

The individual stockholder has a pro rata interest in the property, and all other asests of a company. The company's cash does not belong to the officers and directors, but to all stockholders, according to their individual holdings, or interest.

Some officers, after the financing period, seem to think that the stockholders have no concern in the affairs of the company, and in a high-handed manner disburse the company's funds without caring for the wishes of the stockholders, or accounting to them, regarding what they are doing.

The courts have ruled against this practice. The stockholder has the statutory right to a correct, and complete accounting, and the courts have held further, that the officers must show, that the money expended has been for the purpose it was asked.

Honest men appreciate the fact, that when selected as directors, they are trustees legally, and morally responsible for a just accounting, and they give it.

Investors are largely to blame for many of the evils of directors, and officers. They leave too much to these

men, and do not exercise their full power and rights. This should not be.

As partners in an enterprise, the small stockholder should take a live, if not an active interest in its affairs. When he purchases stock, his interest does not, and should not, stop at the actual ownership of the piece of tinselled paper which he receives.

That his wishes and requirements will be fulfilled; that his interest will be protected; that the affairs of the company will be conducted to the best advantage of every shareholder, is best assured, if care be exercised in the selection of directors, or by investing in companies, in which there have already been selected, the best men as directors.

In the selection of directors, there are two classes which must be avoided—the incapable, and the unscrupulous.

The incapable director is frequently selected to act as a 'figure head.' In England the practice of naming 'figure head' directors has become very common, and consequently very detrimental to the interests of the minority.

For the most part, these 'figure heads' are titled people, who simply give the use of their names and titles, in exchange for an interest in the company. The title is simply a 'blind,' to give tone to the organization, and to delude the susceptible, who foolishly think that the company must be all right, or the lords, and dukes would not be interested.

Those who have kept in touch with developments in company affairs on the other side, and are familiar with the sensational disclosures, wherein titles have been dragged in the mire, will appreciate the pernicious character of the system of 'figure head' directors.

Unfortunately, the same practice has become prevalent in America. While we have no lords, and dukes, to lend their names as company officers, public men have been prevailed upon, in this manner, to assist the unscrupulous in robbing the public.

Senators, congressmen, governors, judges, and other public men, by the use of their names, have been the means of giving tone, and standing to many companies, for which later, it is hoped, they have had reason to be sorry.

Frequently, the name simply represents, not a bona fide investment, based on merit, but the exchange for so many shares, with no other consideration. It often happens, that these men have never seen the mine; know little or nothing of the promoters of the company; and care less for the system used, in financing or conducting the proposition.

These men rarely have any knowledge of mining, and usually are poor business men. The use of their names, to "help along the game," is of value to the promoter, but invariably, of little value to the shareholders.

Directors of companies assume no individual liability. It matters not whether they are men of standing in public life, or whether they are men of large financial responsibility—and when the company fails, they usually manage to shift the responsibility, and clear their own skirts.

'Figure head' directors, do not, unfortunately, consider the moral responsibility they assume, in lending their names, and so the system continues. That it exists is to be deplored, but investors will do well, not to be mislead by it.

Protection is easily obtained by a little trouble in investigating. A letter to the 'figure head,' will soon acquaint the investor, of the degree of responsibility assumed by him. The very nature of the answer, will show whether he is a 'figure head,' or a man who has invested on the merit of the enterprise, and who will take a live interest in the future welfare of the company.

The 'figure head,' oftentimes, resigns shortly after the organization of the company, simply lending his name long enough to do the mischief. Such a discovery should be convincing evidence, that he is only a 'figure head,' and that he has no great confidence in the merit or outcome of the venture.

Investors should not be deluded by 'figure head' directors.

The unscrupulous director can operate in many different ways, to the detriment of shareholders. The very system of having directors to represent the shareholders, is one which has come in for much discussion, and there has been devised no good method of improving it. Publicity to company affairs is the best protection afforded, but the temptations for directors are many, and it would seem, that we must await the millenium before we find ideal conditions generally existing, in the boards of directors of companies.

The directors, and officers, represent the 'inside.' They get the first news of developments at the mine, whether these developments be favorable, or unfavorable. If favorable, they will sometimes use means to 'bear' the stock of the company, for the purpose of buying more themselves. If unfavorable, they may take steps in the other direction, to 'unload' their holdings, on those less informed.

The manipulation of stock by the 'inside,' is widely practiced, in many public companies. It cannot well be prevented, and it is equally difficult to control.

The small shareholder, who speculates against the 'inside,' is playing 'the other fellows' game,' and must trust largely to luck for his success. If he is seeking investment, and not speculation, and if he should invest first, and make such discovery later, he will probably decide that the sooner he realizes on his holdings, the better off he will be.

Investors do not exercise sufficient care in the selection of directors, hence many of the evils resulting. There is no reason why they should be so lax in this matter.

In the case of companies, large controls of which are held in a few hands, there is little or no choice in making a selection. Where stock is widely held, shareholders should exercise care in placing their proxies. They should not be blinded by empty promises made in soliciting proxies, but should, before giving their proxies, make the candidates

pledge themselves, to remedy existing evils in company management.

The same system of investigation, must be followed in deciding who are the best men for directors, as in the case of other conditions being investigated. These men are to represent the shareholder's interest, and to spend the shareholder's money. Surely, therefore, too much information cannot be obtained, regarding their standing, and their past records.

The more the matter is considered, the more it will be evident, that the most effective manner of getting a good management, is to demand frequent official reports, and before signing the proxy see that the candidate for director pledges himself to make such reports.

Herein, to a large extent, lies the secret of remedying many of the evils of the system of boards of directors. It is the application of the policy of publicity, the best remedy for most of the existing company evils.

The shareholder is best armed, who is best informed on company affairs. He should be frequently informed. He should demand to be frequently informed.

Several mining companies, have adopted the excellent practice, of sending out monthly statements to shareholders. The expenditure of too much company money in printed matter, which takes the form of 'gush,' designed for getting shareholders to buy more stock, is not favored, but a moderate expenditure for the purpose of keeping shareholders posted on developments, is company money well invested.

The mining company, owes it as a duty to its shareholders, to keep them fully posted regarding, not only what is being done at the mine, but what is being done with the company's funds. The management owes it as a duty to itself to make frequent reports.

There have not been wanting cases, where unlooked for developments, not necessarily the fault of the management, have meant an expenditure which, while legitimate,

have been deemed of such a character that it were better not to acquaint the shareholder. The management starting out with an honest intention to even things up gets deeper in the mire, and then when the time comes for the shareholder to be acquainted with existing conditions, there is dissatisfaction and often disruption.

Regular reports, correctly made, regardless of misfortunes, preclude disaster, and as well beget confidence. Suspicion on the part of shareholders is invariably disastrous to any company.

Shareholders should not always expect favorable news from the mine. Unlooked for developments occur in the best regulated businesses. The broad-minded investor, will want to be informed of unfavorable developments, as well as the favorable ones.

The shareholder who demands favorable news, is very apt to get nothing else, and when the truth is at last discovered, he will be sorry for his foolishness.

A good mine does not always insure a good company, but a good company is the best assurance that, even though a bonanza does not materialize, the mine will be operated to the best possible advantage of every shareholder.

See, therefore, that you get into a good company—invariably represented by a good management.

A good company is organized to operate a promising prospect; the money necessary for development is raised by legitimate, and honest methods; the money raised is intelligently, and honestly expended, to develop the prospect to the best advantage—and no ore is discovered!

What then?

The ideal management, knowing the actual facts, does not use its knowledge to the expense of the other shareholders. The truth, distasteful as it may be, is made known, and probably the suggestion is offered to try again with another venture.

'Honesty is the best policy.' The honorable 'inside' has lost porportionately with the other shareholders, and

displaying honest intent in the recouping of these losses, other shareholders will co-operate, in nine cases out of ten.

Honest management cannot develop ore in barren ground, but it can by discovering, and making known, the actual facts, devise means to find for the company, ground which is not barren.

A good company, a good management, is more than half the battle. It is one of the strongest factors for success in selecting investments, and investors should never underrate its importance.

The publisher of a technical mining journal was discussing an advertisement appearing in his columns. The advertiser displayed a disposition to promise anything, and his guarantees were unlimited. As a mining proposition the claims made were preposterous, and the criticism the publisher received, for publishing such an advertisement, was in every way merited.

"But," said he "they have a good property."

Supposing they had; was it necessary to exaggerate the possibilities to ridiculous proportions, and give guaranteees which could never be fulfilled?

The biggest bonanza possible, would have a big chance to be ruined, under a management which, by these very claims, showed itself to be unscrupulous, and irresponsible, if not altogether incompetent.

Irresponsibility, and unscrupulousness, oftentimes go hand in hand, and so also we find incompetency, and ignorance, travelling as a team.

Between the two teams, there is frequently more danger in the latter, and particularly so, when ignorance is feigned by unscrupulous, and designing individuals, to cover up their shortcomings.

Instances are recalled, where eastern fiscal agents, have floated mining propositions, using most objectionable methods, and later when the crash came, they have explained that their knowledge of mining, being limited, it was necessary, that they rely upon the mining man in the west, to

whom they charge the responsibility for false claims, and representations.

Lamentable ignorance of mining is displayed by some eastern fiscal agents. Sometimes this ignorance is real, sometimes it is not. When it is opposed to sane business reasoning, the chances are, it is feigned, and in consequence, danger to investors lurks in its trail.

An easterner, who guaranteed 60 per cent. per annum, on a mining proposition, and who advertised "$20,-000,000 in sight, and $80,000,000 when we cut the vein,," charged his misrepresentations to the men at the mine. To what could he charge the fact, that his claims were opposed to all sane, and logical, business reasoning, but instead, had all the ear marks of a get-rich-quick, sure-thing, bunco game?

The plea of ignorance of mining, may be a good one to make to the poor, deluded investors, but ignorance of the law is no excuse in the eyes of the law, and when misstatements are made, and circulated through the mails, the plea of ignorance becomes but a very weak prop, for the man who has been imposed upon by the westerner, and has in turn, himself imposed, and in a more profitable manner, upon the susceptibly inclined.

Investors should refrain from doing business with the concerns, which display a lack of mining, or business knowledge. It may be real ignorance, or simply feigned ignorance. In either case it is dangerous.

And this ignorance is not always displayed by petit larceny promoters, who steal one's chickens, while soliciting orders for stock at the back door of the house. High-toned concerns, who call themselves "Bankers & Brokers,," and who make it out to be a favor to investors to have them call, are frequently even worse robbers.

They maintain elaborately equipped offices; they buy advertising space in general eastern newspapers and magazines, and generally the broad and prosperous front they show the public, is their chief stock in trade. The invest-

ing public, which is being fleeced by many of these concerns, forget that it is as easy to lie and exaggerate in a page advertisement as in a one-inch space, and as easy to defraud a man, seated in a comfortable leather chair amid the most elaborate surroundings, as under less showy conditions.

A high-toned system operated by some, is the selling of stock of a "close corporation." The agent has an option on a "block of private stock," and offers investors a splendid chance, to associate with certain "well known, and influential operators."

The investor desires information to base his judgment. None can be given. The company is a "close corporation, and has no treasury stock for sale."

Too bad indeed, but if the "inside" is unloading, is it not a good idea to find out why, even though the 'inside' is composed of 'first-class operators,' and their stock is being placed by a high-toned firm of fiscal agents?

The story is related, that a certain operator went to a financial center, to raise funds for the development of his prospect. He met the representative of a high-toned agency.

"Advance me $5,000 for expenses," said the agent, "and I will raise you all the money you want."

"Advance $5,000," said the astonished operator; "why man, if I had $5,000, I should not be here. I should be investing it in the ground, and developing my prospect into a mine."

The agent intended, doubtless, to use the money in advertising, and he guaranteed that he would raise big capital, knowing that he would present the proposition—regardless of its actual merits—in such a way, that he would catch plenty of suckers.

When cornered on some of the statements he made, he would have said:

"I have no interest myself in the company. I know nothing of mining. I am simply the broker for the company."

Have nothing to do with those who waive responsibility. They do not deal in facts, and shrewd investors can only base an intelligent judgment on these very necessary factors.

Ignorance, incompetency, unscrupulousness, and irresponsibility are dangerous pitfalls in company management. It matters not whether it is displayed directly by the company, or indirectly by its agents.

A good company will not show it at all, and will stand the most rigid examination and investigation at all times.

Investors will do well to delay making their investments, until they find a company, which is first-class, and above reproach in every particular. A good company, a good management is the chief factor for success in mining enterprises.

CHAPTER VI.

LIES WHICH ARE PRINTED—THERE ARE PITFALLS IN PRINTERS' INK—THE MINING PROSPECTUS AND SOME RULES TO FOLLOW IN READING IT—EXAGGERATED SPECULATIONS — THE MINING ADVERTISEMENT — ENTERPRISE AND FAKING—THE POSITION OF THE PRESS—THE "WRITE-UP"—THE "PUFF"—THE PROMOTION ORGAN; IT MISLEADS THE PUBLIC—THE PUBLISHER AS A BLACKMAILER—THE INFORMATION DEPARTMENT AS A USEFUL FEATURE; ITS USE AND ABUSE.

There is a German saying, "It lies like print," and this does not necessarily mean, that all printers are liars, or even that all journalists, or authors, do not write, that which is true.

A lie in print, stands out in black and white, which there is no gainsaying. But printed lies do not always show on their faces. There are printed, half lies; and printed statements oftentimes, leave misleading inferences, which are more dangerous, than lies made out of whole cloth.

In the promotion of mining companies, printers' ink plays an important part. Where properly used, printers' ink is a very useful factor, in the flotation of a meritorious mining proposition.

Unhappily, some promoters, in their use of printers' ink, adopt a certain license with the truth, in a manner similar to that usually ascribed to our friend the poet.

Poets' license may be necessary for our amusement, and entertainment, and in the poet's appeal to our nobler feelings, but no such necessity exists, in the appeal of the promoter to our pocketbooks.

Some men are susceptible to illogical arguments, and

foolish speculation, in the presentation of a business proposition. It is, however, a foolish, and very dangerous practice, and those who resort to it, can trust only to that treacherous factor, luck, for their success.

Printers' ink, is used in various forms by the promoter, and there are pitfalls in each, to which it is well to draw attention.

As a general proposition it is safest

(1) Never to invest on judgment, based solely, on statements appearing in a mining prospectus.

(2) Never to invest on judgment, based solely, on alluring claims made in a promoter's advertisement.

(3) Never to accept, as literally true, all which you see regarding a certain mining venture, appearing in monthlies, weeklies, dailies, or publications of any kind—the statements, may be made, in a publication owned, and controlled by a promoter himself, or they may be subsidized or inspired utterances, in an independently owned paper.

(4) Always consider well, the source of every printed statement.

In choosing a mining investment, it is very evident, that the nearer to the actual facts, which an investor arrives, the better for him. Seek the truth; deal in facts, and never in inferences.

If you cannot satisfy yourself that you have the actual facts, it is better not to invest.

Publicity in the affairs of all corporations, is very desirable, and therefore, a liberal, and judicious use of printers ink, cannot be objected to. Some promoters operate in the dark, so to speak. They shun publicity, and urge secrecy on the prospective investor in their shares. Some propositions will not stand the light of publicity. It is not always a conscientious fear, that "the other fellow" will profit at the promoter's expense, but that the investor would, were the proper publicity given the 'game,' in which he is solicited to join.

Refraining from the use of printers' ink, is therefore, as apt to stamp a questionable proposition, as to make a too plentiful, and unscrupulous use of this valuable, and much abused facility.

The mining prospectus has become an established institution. It is a useful institution, but like others, its harm is in its abuse.

The admonition, not to invest on judgment formed solely on information, contained in a mining prospectus, is because (1) rarely, is a prospectus printed without some omissions, which detract from its value, and (2) because the prospectus is designed to set forth the proposition in its most advantageous light, and the information must of necessity be biased.

It is not the intention to outline what is considered an ideal prospectus. There have been published, numberless very excellent prospectuses, with which but little fault could be found. These for the most part are couched in conservative terms, and are characterized by a completeness in detail. A plentiful supply of illustrations, while adding to the expense of the prospectus, aid the investor in forming his judgment, provided, of course, these illustrations are not designed to mislead, which is sometimes the case.

Primarily, the prospectus is designed, to set forth the proposition in its most advantageous, and attractive form.

It is designed to catch the eye of the investor; to secure his interest. Interest leads to actual participation; and this the honest promoter excepts to secure, not with his prospectus, but by subsequent correspondence; a personal interview; or through a visit of the investor to the property.

The prospectus then, is but one incident in securing the participation of the investor; one factor, upon which the intelligent business investor, bases his judgment.

The promoter who expects to do business with business men, along business lines, will use business terms, in the

preparation of his prospectus. He will outline the attractive features of his proposition, including plenty of facts, and statistics, and a full description of the work already accomplished, and that planned for the future.

Big promises for the property, which the promoter cannot fulfil, will come back at him, like a boomerang, and none but a fool, will guarantee developments in undeveloped ground, or guarantee a certain return upon the investment.

Clear cut, truthful and convincing, statements, will carry the most weight, with business investors. The promoter ,who deals in glittering generalities; airy nothings; and makes unreserved promises, and guarantees; is gunning for suckers—be careful you are not one of them.

It has been a common practice of prospectus writers to devote most of their space, to the marvellous possibilities in mining, and to give us glowing accounts of the millions gained by our mining kings, through judicious investment in mining. Incidentally, the table of fortunes which is going the rounds of the prospectus writer, is growing so alarmingly in proportion that the sum total, will make the sum total of our national wealth, turn green with envy.

The wealth of our mines, is the foundation of our national wealth.

The stories of the lives, and great fortunes won by our mining kings, makes splendid reading. These stories are romantic, marvellous, and for the most part true.

Great fortunes have been made from mining.

These fortunes did not result from the fortunate purchase of a block of 1,000 shares, or 10,000 shares in a mining company.

For the most part these fortunes resulted from following one policy, the fact of which, is distasteful to those, who decry the prospect proposition.

Our mining kings, in some instances, blazed the trail to new fields. Invariably they got in on the ground floor. They invested their time, or their money, when the mine

was the merest prospect. They had faith in the outcome. This faith was based upon a sober judgment, formed by a thorough study of conditions; a correct reading of the ear marks of ultimate success. Their faith was never shaken. They withstood trials, and temptations. They stayed by their propositions through various vicisitudes. They knew they had chosen well, and turned deaf ears to any suggestion of other than ultimate success.

They invested when there was only a prospect—but a good prospect—and reaped their great reward, when the mine was developed to the dividend-paying period.

This little diversion, is for the purpose of emphasizing, the virtue of choosing well, and holding fast in mining investments.

Another favorite misleading ruse of the prospectus writer, is to tell of the showing at the surface, or in surface workings, and then to indulge in dangerous castle building, comprising an alluring speculation on the possibilities for profit, "if," the showing continues the same, to 500 feet, or 1,000 feet, as the case may be. Usually, with this speculation, is included the suggestion, that the chances are, the ore will improve with depth, both in size and in value.

Every prospector, and operator, hopes that such will be the case. The greater familiarity with mining, leads one to speculate less in this connection. It is unwise to dream; to build air castles; to have other than a fervent hope for the future, in anything. The stern reality is invariably very prosaic—when we get down again to Mother Earth, the shock bruises our bodies, and causes a headache.

Do not let the speculations of the prospectus writer carry you away. There are many contingencies which are always liable to arise in the development of the most promising prospect. In considering a prospect do not figure in millions. Get down to every day hundreds, or thousands of dollars. It better fits the proposition dealt with.

Every prospector must have hope. Every investor should have hope. Do not, however, let this hope develop

too strongly, into airy speculations, and fantastical dreams. If you are a business man, think along business lines.

"Pipe dreams" maybe necessary to the writer of fiction, in novels, or newspapers, they are out of place in a mining prospectus.

A well informed investor, who is educated to get at all the facts, regarding a mining proposition, will when he reads a prospectus, examine it as carefully, for what it does not say, as for that which it does.

He will reject the inferences, and gather the facts. He will note the ambiguities, and indefinite statements. He will, most probably, make a memorandum of many serious omissions in information furnished, which are very necessary to him in forming his judgment.

There are very few prospectuses which contain all the essential facts, for forming a judgment, as to actual merits of a mining proposition; and at best, the prospectus tells but one side—the most favorable side—of the story.

As the prospectus is designed to gain the interest of the investor, so also is the advertisement. Unwise at is may be, to invest on judgment based solely, on the information contained in the prospectus, it is still more so, to buy on claims set forth in an advertisement. A man would do better to throw his money into the street, than to "invest" it, on claims made, in some advertisements.

It is necessary, and perfectly proper, to advertise stocks in mining companies, or to use judicious publicity, in making a "noise," for the undeveloped resources of a mining section. Mining requires capital, and plenty of it. It must be attracted, but in attracting it, nothing is gained by misrepresentation, or gross prevarication.

And where competition exists, in the sale of securities, enterprising promoters cannot be blamed, for making their advertisements, as attractive as possible.

The most enterprising, among the clean promoters, do not mislead in their advertising, and would not expect to remain long in business, were they to resort to this practice.

There is a distinction, between attractive advertising, and fake advertising.

If one desires to ascertain, what is meant by fake advertising, it is but necessary, to glance at the financial pages of some of the general newspapers, or notice the mining advertisements in some of the magazines. The most limited knowledge of mining, will make it apparent, that these advertisements, deal with the rankest kind of fakes, of the get-rich-quick order, designed solely, for the dollars of the susceptibly inclined.

A great harm is done, by the acceptance by the general press, of this class of advertising. The savings of a class, which cannot afford to lose, are sacrificed by investment in these fakes; and as a consequence, legitimate mining, and the legitimate flotation of mining companies, is made to suffer.

Unfortunately, the general press of wide circulation, does not discriminate in the acceptance of advertising. Any matter which will pass through the mails is printed, and the public suffers accordingly.

When a mining proposition offering impossible dividends, and which is all gold from top to bottom, is advertised on the financial page of a big eastern daily, the gullible element presumes, it must be bona fide, or the big paper would not print it. They fall an easy prey to the fakir.

In many cases eastern publishers are themselves uninformed in the matter of mining companies. The most cautious are sometimes imposed upon by the fakirs.

There is no excuse for the publisher of any paper accepting advertisements of the get-rich-quick kind, whether pertaining to mining or anything else. A great moral responsibility devolves upon the press of the country in the circulation of advertisements of a questionable character.

Publishers should hesitate before assisting the unscrupulous in their work of filching the savings of the masses—work which leaves ruin, crime and degradation in its trail.

Where there may be some excuse in the case of the general newspapers accepting mining advertisements of a questionable character, there is none in the case of the papers devoted to the interests of mining and investment.

The so-called mining and investment papers, which publish advertisements which, on the face of them, are fakes, should be blacklisted by the intelligent and informed investment classes, and by all advocates of clean mining methods.

But, because you believe that a mining or investment paper is clean, and responsible, this is no reason for buying stocks advertised in its columns, without first taking the necessary precautions to thoroughly investigate them, through all the available sources.

No responsible publisher can undertake to endorse all or any of the mining propositions advertised in his columns. View with suspicion any that do.

Some publishers, of this class of paper, make no further discrimination, than do the publishers of general newspapers. They will also publish any advertising matter, which will pass through the mails, asserting that they endorse none of their advertisers, and that their advertising space is owned by those, to whom it is sold, and for whom they are not responsible.

A few, honestly endeavor to keep their advertising columns, not only free from fakes, but full of only legitimate, meritorious propositions, promoted by honorable, and responsible men.

These will say, when asked if they endorse their advertisers, "No, we do not. We could not afford to. But, we know nothing to the detriment of those propositions, advertised in our columns, or they would not appear therein."

Investigate, just as carefully, this class, as all others.

The advice was once given, to confine investments, simply to those propositions, advertised in the mining, and investment press, and to steer clear, of all those, advertised in the general press. It was argued, that the former

publications, being devoted exclusively to this class of business, had better opportunity for branding fakes, and would not include any among their advertisements.

Unfortunately, the rule does not apply. All the schemes advertised in the general press are not fakes, and all those advertised in the mining, and investment press, are not meritorious.

Some of the worst fakes, and which were shown on their faces to be fakes, were advertised in the, so rated, best class mining papers. Legitimate promoters, oftimes deem it expedient, in branching out for new business, to advertise in the general press of wide circulation. When they do, they do not get as many replies, as those who have fakes which are more attractive to the unwary, but, happily, they find that some intelligent business investors can be attracted, even through the medium of the general press.

There is but one safe rule to follow. Investigate before investing in any proposition, wherever, or however, it is advertised.

The honest promoter, does not expect to sell stock, on judgment based solely, on his advertisement. He desires, simply, to attract interest in his proposition; he courts investigation, with the firm conviction, that then, the interest will develop into participation.

The "write-up," is another alluring device, by which the unwary are entrapped.

A "write-up," comprises an advertisement, which is designed in the form of reading matter, and sometimes so skillfully is the advertising feature hidden, that even professional journalists themselves, cannot detect it. The art lies, in disguising the fact, that the story is paid advertising. This system is very misleading.

Sometimes, the write-up takes the form of an interview. Sometimes, it shows plainly, that it it a "write-up" advertisement of a certain venture. Sometimes, a well written, and very interesting discussion, of an interesting subject, is made to hide the merest mention, of a promotion

firm, or its flotation. The very fact that the reader, does not read the article as an adveritsement, makes the advertisement, that much more valuable—and the write-up has effectively accomplished its purpose.

Magazines, both monthly and weekly, sell space for this form of advertising, and in some instances, so prevalent has it become, and so skillful the work, that it it difficult to distinguish between advertisements and the bona fide articles.

The "write-up," in the big daily, is usually more easily detected, although it frequently takes the form of a "feature story," and the reader is unwittingly entrapped. One of the biggest fakes among the oil companies, promoted on alleged property situated in a well-known field, occupied three whole pages, in the form of a "write-up," in one of the biggest New York dailies. The story was embellished with illustrations, and had all the characteristics, of a big "feature story," with the name of the writer and the artist subscribed in both instances.

Those who bought, on judgment based on what they read in this story, had reason later, to be sorry.

The same rule applies to "write-ups," as to other forms of advertising—investigation before investment.

The "puff" is another deceptive means, by which the promoter reaches the public. All advertisers, whatever their line, appreciate the value of a "notice," and not infrequently, bank more on their notice, than upon their displayed advertisement. The "notice" or "puff" is published always in the same form, as other news in the paper, and can be distinguished only by its character.

In mining papers particularly, it is essentially necessary, that the readers be kept posted, on the developments of those propositions advertised in their columns, as those which are not. The advertising promoter thinks they should receive more "news" of his propositions, than of others, however meritorious the others may be, and however legitimate the other news. He bombards the editor with his

"news," and every line he can get published, he figures that he is that much ahead.

The more "puffy" the items, which escape the blue pencil of the editor, the better satisfied is the advertising promoter.

Now this, is what a well-known Eastern financial publication, characterizes as "court circular" journalism, and of the worst type. Every "puff" which escapes the editor, and appears in the paper, represents a "court circular" utterance, and tends to lower the standard of the paper, in the eyes of the intelligent reader.

The work of editing a high class mining, or financial paper, is by no means a sinecure. The editor is, of necessity, constantly between the designing promoter, and his readers. He is trying, at once, to serve two masters, but his credit for having done the most good, must always depend, upon the standard to which he has raised his paper.

Some papers indiscriminately publish all advertisers' "puffs" which are submitted. The higher the standard of the paper, the fewer of these "puffs" will appear in its columns.

Do not be misled by "puffs." They are easily detected. Consider them as representing the inspired utterances of the promoter, and value them accordingly.

And now we come to the publication, every utterance of which, is inspired, and which combines all the pitfalls already referred to in this chapter, and some others beside.

Reference is made to the so-called "promotion organ," or "house organ,," and that some of them have for so long continued to mislead, is the manner designed, is a serious reflection upon the intelligence of some investors. Incidentally, it is to be regretted, that the government officials have permitted, some of these publications, to enjoy the second class mailing privileges, which under the law, is accorded only, to independent journals, published in the interest of no one man, or set of men.

The "promotion organ," comprises the advertising matter, or prospectus of a mining company, or set of mining companies, clothed in the garb of an independent mining or financial publication. A large number, probably the majority of promoters, use them, and some enjoy second class mail privileges in open defiance of the law. They are published under various forms.

Perhaps the least harmful, is the "promotion organ," which openly makes the announcement, that it is published in the interest of some promotion house, or mining company. The purpose is, for the promoter or company officer, to reach his stockholders at regular intervals with reports of developments at the property, or in the company. Included in this form of publication, are usually, articles dealing with general conditions in mining, and news regarding developments, at other properties, situated in the same section, as the interests, chiefly dealt with.

Those who use this method of keeping in touch with their clients, evidently believe, that better results are had, than through communication by letter, or through the medium of independent publications. The cost, also, is undoubtedly taken into consideration.

This presumably was the original form taken by the "promotion organ." From it has evolved many other forms, which do a varying degree of harm.

Some promotion organs have the temerity to class themselves as being published in the interests of the mining industry generally, and then proceed to push the stock, of but one company, by means of daring assertions and "puffs," which should on their face open the eyes of the investor to the scheme. These are easily detected, and the information they contain, should be received, for what it is worth.

Other forms are less crude, and consequently more dangerous.

There is the "promotion organ," published by an alleged different firm, to that in the interest of which, it is

in reality published. A different address is used, to carry out the deception. News of a general character is included, and every ruse is resorted to, to give the paper the appearance, of being a straight, clean, unbiased, mining publication, supported from the legitimate revenue of a newspaper enterprise.

Not infrequently, we can find in the columns of these papers, articles daringly denouncing the evil of "promotion organs." Some include Information Departments, in which advice to investors is given, in an apparent unbiased way; and other features of the legitimate financial, mining newspaper enterprises, are adopted to carry out the deception, of the unbiased character of the publication.

In each issue, however, one can find items, invariably colored, and deceptive, pertaining to the promotion, or promotions, of the firm, in the interest of which, the paper is published. Other advertising to that of the principal interest, is oftimes solicited, and given in good faith. Not infrequently, other advertisements are included, without knowledge, and without cost to the advertiser; but we may always find "the firms" advertisements, occupying the best positions in the paper.

The entire preparation of the paper, is designed to mislead the public as to its true character, and the granting of second class mail privileges to the publisher, materially assists in the delusion.

The advice was once given, to regard only, those papers having second class privileges, as independent, and unbiased, but the rule does not apply. All papers of this class should be carefully investigated, and carefully studied, for ear-marks of biased, or inspired utterances.

There have been instances, where independently conducted papers, have found it necessary to seek financial assistance from some promotion house, and the consideration has been, the absolute subsidization of the editor, to the interests of this house.

Such papers are no longer independent, and responsible, and should not be considered as such.

Some "promotion organs" are published by brokerage or investment concerns which are interested in many different propositions. There being so many concerns advertised and "boosted" it is more confusing than ever to the investor. However, when the system usually followed is explained, it becomes plainly evident, that this form of paper should be avoided at all hazards. The publishing firm is in the newspaper business purely as a side issue. Its chief source of revenue is from the sale of stock. It has its own promotions, and it handles the stocks of others. For placing other promoters' stock it gets a big commission or a stock bonus. The stock is offered by means of glaring advertisements in the promotion organ and the sale is aided by cleverly-written "puffs" in the news, editorial, or information columns.

Did you ever subscribe for an alleged mining or financial paper, and almost simultaneously with the receipt of the first issue, receive a lot of printed matter concerning various mining propositions? Of course you wondered at the coincidence. It is by no means a difficult problem to solve. You either subscribed for a promotion organ or a paper, the publishers of which unscrupulously "tip off" the names of their subscribers, often as a premium to advertisers.

The independent mining or financial paper, and happily there are a few in existence, is not working in co-operation, with any individual firm of promoters. The editor, or publisher, has no interests of his own, of which, he can only give a biased report. He is not himself a promoter, but he is a journalist, or publisher, depending for his livelihood, upon the proceeds of a legitimate journalistic enterprise. If he is publishing a mining paper, he works for the general good of the industry, furthering in every way possible every legitimate effort.

He would not think of divulging to a promoter his subscription list, but if approached, would doubtless refer to

his advertising columns, with an invitation to participate, provided the proposition to be advertised were acceptable.

An amusing incident was brought to notice. The leading editorial in a "promotion organ" contained an apology on the part of the alleged unbiased editor for devoting so much space in his paper to the affairs of one company. He, however, explained that the operations of this concern, were of such vital interest, that he gave them so much attention. The paper being published in the interest of this one company, it is not unnatural that its affairs should have been considered of so much greater importance than those of any other. The most astonishing thing is, that the promoter-publisher should have displayed such a small opinion of the investing public. That he was looking for suckers is plainly evident by his thus appealing to his readers' susceptibility.

These "promotion organs" do not always come very high; that is, unless one follows too closely their advice on investments.

Not infrequently, subscriptions to them are widely advertised, at a nominal price, if not absolutely free. Oftimes, a subscription, "three months free," carries with it, all the promises of reliable, unbiased, mining news; current thought and opinion; and the best advice on mining investments, procurable anywhere. The promise to expose all "fakes" (except themselves) is dished up as the piece de resistance, for the epicurean investor, who sees everything but his own foolishness.

Beware of the promotion organ. Accept with a grain of salt the printed statement contained in any but the established and reputable medium. Investigate the medium as you do the proposition in which you contemplate making an investment. Find out whether the kite has a tail and of what that tail is constituted.

The publisher of the "promotion organ," is as much a parasite to the honorable profession of journalism, as the stock faker is to the mining industry. There is, however,

another journalistic parasite, whose nefarious operations call for stronger deunuciation, than those of the publisher of the "promotion organ."

Reference is made, to those who prosecute the system of levying blackmail, on companies or promoters, offering stock for sale.

Some of these detestable pests, operate through the medium of an alleged Information Department, while others do their flogging, through the medium of news, or editorial columns.

The "put-up-or-shut-up" policy, pursued by some papers, scares many into advertising, who should know better, than to regard seriously, the bluffs of the blackmailing grafters. Those who conduct such sheets can as comfortably say nice things about those who "put up," which are as damaging to the industry, as the roasts administered to those who refuse to dance to the newspaper grafter's music.

The Information Department as a feature in a financial or mining paper can—for the time being—be made a valuable adjunct to the business office. This feature in even the most reputable publications, suggests blackmail. Their value is based upon the confidence vested in them. The slightest deviation from the rigid rules which must govern them, shakes confidence and detracts from their value. The ideal Information Department "hews to the line, let the chips fall where they may." Investors in seeking information would do well to bear this in mind, and use those departments, which have followed such a rigid policy the longest, building up during a period of years a reputation for honesty of purpose and reliability of reports.

Pay little attention to advice regarding individual investments. For the most part this advice is based upon the patronage received. In conducting an Information Department is has been found best, not to give advice, but to publish the fullest possible information, leaving the investor to base his own judgment as to merit.

The Information Department as a feature in a mining

or financial publication is of great assistance to investors, if it is conducted fairly, and squarely, and publishes only unbiased, and independent matter.

It needs only a little study, to determine the character of the various Information Departments. There are only a few, which can be relied upon, and these will stand the most rigid tests, as to reliability, and independence.

They should be put to the test.

If an investor suspects blackmail, in the conduct of any department of a mining, or financial paper, he should "put it up" to the publisher.

The burden of proof is with the publisher, if he values his reputation. The character of the proof, will at once convince the investor, as to the standing of the publication.

The honest publisher of an independent mining, or financial paper, which urges its readers to investigate promoters, and promotions, will not hesitate in himself courting investigation.

Pay him out in his own coin, by putting to him, the same tests, which he advises be put to others.

"It lies like print," and there is danger, that the reader may have formed the opinion, that nothing but lies are printed, on the subject of mining investments. By no means; although numberless crimes against the truth are committed in the name. There are pitfalls, in the too general acceptance as truth, of everything appearing on the subject in printer's ink.

A careful study of the danger posts, and the invesor will be able to read between the lines, in printer's ink, when it deals with mining investments, and be in no danger of being entrapped.

CHAPTER VII.

PROFITABLE CHARACTER OF DIVIDEND-PAYING MINING COMPANIES—THE BEST POLICY IN STARTING AND MAINTAINING DIVIDENDS—IMPATIENCE FOR DIVIDENDS—DEMANDING DIVIDENDS AND SUPPLYING THE DEMAND—THE GUARANTEED DIVIDEND—WHO GUARANTEES IT?—WHEN THE BANK GUARANTEES THE DIVIDEND—BUSINESS MEN WANT NO GUARANTEE.

The goal of every investor, who buys mining stocks for investment, is the dividend-paying period. The most successful, and profitable mining ventures, are those representing investments, made during the prospect stage of development, and held until dividends are declared.

Mining investments of this character surpass any other form of investment. They are the most profitable of all.

Every big mine of to-day was a prospect at some time. The valuation of a prospect, is based solely upon its prospects. Of necessity, the valuation is low. The investor who secures an interest in the undeveloped prospect, gets in on the ground floor. Oftimes his interest costs him but a few cents a share—let us say five cents, and he purchases 10,000 shares, at a total cost of $500.

Development proceeds, and the property is equipped. The prospect becomes a shipper, and in due time, a heavy producing mine. The value of the shares increases accordingly, and then come the dividends.

The first year, one cent per share a month, is paid in dividends, amounting in all to 12 cents a share for the year. The stock has advanced to one dollar a share in price.

On his 10,000 shares, the investor receives in dividends $1,200 in one year. His shares cost him $500. This means

240 per cent on the principal invested. In addition, his stock has enhanced in value to $9,500!

This is why the dividend period, is the goal of the investor, who buys mining stock as an investment. Is it to be wondered, that mining is regarded as the most profitable of industries?

Now the foregoing illustration is that of an ideal company, operated along sound and legitimate business lines. All companies are not so operated, and there are various kinds of dividends, and various ways of distributing them.

To thoroughly discuss the subject, it is necessary to get down to fundamental principles, and first ascertain, what constitutes a dividend?

Dividends represent profits earned. Legitimately paid dividends, comprise profits earned from production of ore, or other transactions, as permited in the articles of incorporation; or the proceeds of sale of companys property, divided among shareholders.

The division among shareholders of profits from operation, should be determined by the same principles governing intelligent business judgment, as in other commercial lines. Short-sighted judgment in this respect, is oftentimes more damaging to a mining enterprise, than in other forms of industry.

The dividend policy of a company, owning a heavy producing mine, is one of much consequence to the welfare of the enterprise. Many a good proposition has been wrecked by the too lavish, and untimely distribution of dividends. Experience has shown, that the best policy to be followed in the payment of dividends, is to keep reserves, both of cash and ore, well ahead.

The best handled mines, are those in which development, is kept well ahead of production. The development comprises the opening, and blocking out of ore reserves. Oftentimes several years reserves are opened in this manner. The virtue and advisability of such a system is evident, when it is pointed out that it is not unusual, in big

mines, having strong veins, to encounter "faults" or even "barren zones."

The "faulting" of the ore, not infrequently, requires weeks of hard and faithful search to find where it has "jumped." The "barren zone" may require several hundred feet of sinking, before the "pay zone" is again encountered.

Then again, there is the possibility of encountering in the vein, what is known as a "horse"—an intrusion of barren rock in the pay mineral. The encountering of heavy flows of water, is another possible contingency, and there are others which might be cited.

The management which has reserves blocked out ahead, finds that production need not be suspended. On the contrary, it proceeds, furnishing if necessary, the wherewithal to overcome the encountered obstacle. Dead work to pass the "horse," or find the "faulted" vein, or the installation of pumping machinery, to cope with the water problem, is an easy matter under these conditions, compared with the task of the management, which has produced right up to the hilt.

The matter of keeping a cash reserve on hand, is an equally important factor. Labor strikes, fires, and many other things, are always likely to occur at the best regulated mines; and after all it is but the same question, of broad-minded, business-like management, which alone assures the success of any other enterprise.

The management which has paid out its cash reserves in dividends, finds its treasury impoverished at a critical period. There may be reserves ahead, but fire or water may have prevented their extraction. With no money on hand, a loan must be made; a mortgage given; an assessment levied; or more treasury stock sold; to raise the fund for overcoming the encountered obstacle.

The broad-minded, and business-like management, keeps development ahead of production, and provides a substantial cash reserve for all emergencies.

The time for starting dividends, must be regulated by the same business judgment, as that governing their continuance, after first started. It is simply a matter of ore reserves, and cash reserves ahead, at the start of the dividend period, as later. To commence paying dividends too soon, is just as short-sighted a policy, as paying them up to the hilt after started.

The ideal proposition, is that which commences paying dividends, and maintains their steady and regular distribution, until the very end—until the mine is finally exhausted.

It has been said, that many good propositions are wrecked, by the unwise distribution of dividends. It is one thing for shareholders to accept dividends, but an entirely different one to ask those same shareholders, to give back some of their dividend money, in the form of an assessment, or for the purchase of stock, necessary to raise a fund to overcome some obstacle.

It too frequently is the case, that unwise distributions are due to shareholders themselves.

Shareholders become impatient for dividends. Their clamoring for them, has been known, to force the hands of the directors, making them pay out dividends sooner than their own best judgment dictated. Shareholders should not be unduly impatient. True, all shareholders look forward to the dividend period, but no intelligent business-like investor, would agree to the distribution of dividends, until, it is perfectly safe for the company to pay them.

The policy is too prevalent among uninformed investors, to buy treasury shares in a new company, and then to, at once, commence hounding the officers, and directors for dividends. It takes time to develop the best, and most inviting prospect, into a dividend paying mine, the same as it takes so long, to work up any other form of enterprise, to a profit earning basis. Investors should be patient—intelligently patient for their dividends.

Do not be misled by designing promoters who assert

that a comparatively few dollars, and a comparatively short siege of development, will mean dividends to shareholders. Such assertions are but allurements to catch the dollars of the unwary.

The demand creates the supply in most things, and to a certain extent in mining dividends. The unreasonable clamoring, and demand for dividends on the part of some investors, has been met by the unscrupulous promoter, with many forms of dividends; dividend promises; and dividend guarantees.

Honest promoters can only assert that their mining proposition has promise; they can guarantee nothing, except an honest expediture of the money received by sale of stock, in an effort to make good the promises of the property.

Some investors are beguiled by the windy dividend promises of the promoter. Some are absolutely duped by his dividend guarantee.

The system of guaranteeing dividends is one of the most damaging, of the various questionable systems, used in connection with the promotion of mining companies. This system, was largely the result of an insane demand for dividends on the part of investors. They made unreasonable demand for dividends; they were hoodwinked into buying guaranteed dividends; and later had reason to regret the enterprise of the unscrupulous promoter, in satisfying their foolish demands.

Not a great while since, guaranteed dividends became the fashion. They did a great harm to the industry. Some promoters did not hesitate to assert, that they followed the system guaranteeing dividends, to supply an existing demand for them.

The most pernicious form of guaranteed dividend, comprised simply the return on the part of the promoter, of some of the money paid by the investor, for his stock. This "refund," he daringly called a "dividend." The payment of "dividends" from the proceeds of stock sales, is a crime under the laws of some states, and should be made so in all.

The practice is a most reprehensible one. The unscrupulous who follow it, raise the price of their treasury shares so much, that they are able to use part of the proceeds for dividends, leaving them, usually, more than the actual value of the security to—well, men unscrupulous in one thing, are not usually too scrupulous in others.

The only virtue in this form of fake security is that, in the case of the fake non-dividend guaranteed security, the purchaser gets nothing; while under the guarantee, he gets back, some of his money.

Some unscrupulous men, in an evident desire, to evade the denunciation, consequent to the payment of dividends, absolutely from proceeds of sale of stock, break their necks, so to speak, to earn sufficient revenue, to cover the amount of the dividends. They gut the mine of the high grade, underhand stope, or follow other suicidal methods of mine handling, all for the purpose of showing some revenue for "dividends.' The matter of paying dividends simultaneously with the sale of stock, is explained by these people, as being for the purpose of increasing the profit earning, and dividend capacity, of the proposition.

It has been argued that a mining company has a perfect right to pay dividends from the proceeds of ore marketed, and simultaneously to raise money by sale of stock, for development or equipment purposes. So might it be argued, that the manager of the proposition has the right, if he feels soo foolish, to cut off his own nose to spite his face. But what confidence can investors be expected to have, in the intentions of such a management, to say nothing of its business judgment?

When a merchant has confidence in his business, he makes every effort to retain as large an interest as possible. It is only the short-sighted apologies for business men, who squander profits, building up no reserve for improving and enlarging the earning power of their enterprise. If a company is buying machinery, needs money for development or other purposes, it cannot be earning dividends. The com-

pany that is paying dividends and at the same time pushing the sale of treasury stock, is, any way you figure it, paying dividends from the proceeds of treasury stock.

To revert to the guaranteed dividend. Who guarantees it?

Is it the fiscal agent or promoter? If so it would be well to investigate their standing; their financial responsibility for making good their guarantee.

It would be well also to ask why they make such a guarantee. Business investors expect to take a fair business risk, and they view such a sure thing proposition, as a dividend guarantee on a prospect property, in the same manner as they do a sure thing bunco game promoted by the confidence man.

If the company itself is standing back of the guarantee the question naturally arises: Who is the company?

The stockholders constitute the company.

By purchasing stock in a company which guarantees dividends, you become a stockholder, and as such become one of the guarantors. Are you not therefore placed in the ridiculous attitude of guaranteeing to yourself that your investment will pay you dividends?

There is one system of guaranteeing dividends which has been operated in the past, and may be again. It is a system which is very apt to catch the unwary. On the face it looks good, but when exposed it is evident that it is a most daring, and dangerous imposition on the public. Reference is made to the "game" of having a bank guarantee the dividend.

The guaranteed dividend promoter, who announces that a certain bank, guarantees the payment of certain dividends, of necessity, catches many dollars. It certainly looks good on its face.

Stock is sold say at 10 cents a share. The stock carries a guaranteed dividend of 10 per cent for three years. The bank guarantees the payment of this dividend.

An investor purchases 1,000 shares. The cost to him

is $100. In three years, his dividends would amount to $30.

The unscrupulous promoter operating the system, after receiving the investors money, deposits $30 with the bank, instructing the bank to pay the investor, $5 semi-annually, for a period of three years. The bank pays out the money at the stipulated intervals. It has the use of the $30 without interest for three years, or rather the balance of this sum, as payments are made. Nor does the bank compromise itself by guaranteeing the dividends. It simply agrees to pay out the money at stated intervals.

The other $70 goes into the unscrupulous promoter's pocket.

The matter of guaranteeing the payments is so simple, that it needs but little comment. Such a "gilt edge" proposition, appeals to many investors, and not only hundreds but thousands of dollars are invested. The promoter's profits increase accordingly. The deluded investor is happy because his dividends come in regularly. He regards the payments as profits, little dreaming that they are, in reality, simply a part of his own money being refunded. It represents but another form of paying "dividends" from the proceeds of stock sales, which has already been characterized, a reprehensible practice.

There are some other forms of guaranteed dividends, mention of which will be found elsewhere. Let it suffice that in the majority of instances they represent but an alluring form of catching the dollars of the unwary, and investors should use extreme caution before purchasing into any of them.

It is impossible to eliminate the element of uncertainty from a prospect mining proposition. With a developed mine that element must enter to a large extent. A conservative business management does not think of guaranteeing dividends for an indefinite period on a big producing proposition. It does not have to. If it did so, for the purpose of selling stock, suspicion in the enterprise would result. None but the unscrupulous guarantee anything on a mining prop-

osition, prospective or otherwise, except an honest effort to earn profits.

The system is opposed to all business principles. The idea of guaranteeing developments, in undeveloped ground, into which none can see, is preposterous. There may be a fine surface showing of mineral, but who can say how far it will extend below the surface?

A certain large mining property had a splendid body of ore over 100 feet wide. This was being followed by a monster drift. How many dividends would not the unscrupulously inclined have guaranteed on this?

Without any signs, or warning, a big dyke was opened in the drift, and this had cleanly cut off every value!

The ore body had faulted, requiring the expenditure of time and money to find it again. The big 100 foot breast of ore, gave place absolutely to barrenness.

Every prospector has hope and faith in his prospect, and that his surface showing will develop into a big shipper. It is only the fool, or knave, who guarantees that it will. Every mine manager has hope that his ore bodies will prove continuous as level after level is opened. The manager who absolutely guarantees his ore bodies, will not long hold a responsible position.

Any good business man will take a fair business risk. He does not expect a guarantee, particularly a guarantee of a larger percentage of profit than is possible for any other form of investment. Such a guarantee would at once arouse the suspicion of any intelligent and conservative business man.

Guaranteed dividends, whether paid from the proceeds of stock sales, or from the proceeds of ore sales, are but ruses for pushing stock sales. In the latter instance, reference is of course made to dividends paid simultaneously with the sale of treasury shares.

Be wary of the guaranteed dividend. It invariably represents one form of alluring bait for the dollars of the unwary, and is a system promoted by the unscrupulously inclined.

CHAPTER VIII.

HIGH FINANCE AND BLIND INVESTMENT—FLUB-DUB SYSTEMS AND SECURITIES—THE GUARANTEE AND THE RISK EXPECTED—THE TRUST FUND SYSTEM—BUYERS WHO SEEK CHROMOS—GUARANTEEING DIVIDENDS BY THE TRUST FUND—WHAT CONSTITUTES A DIVIDEND-PAYING SECURITY?—THE GOLD BOND PROPOSITION; HOW IT IS OPERATED—ELIMINATING THE ELEMENT OF UNCERTAINTY FROM PROSPECT PROPOSITIONS IS IMPOSSIBLE.

It is safe to assert, that the evils wrought by so-called high finance were the result of blind investment.

The public "went it blind." Investors following the popular lead, like sheep, were blindly lead to the slaughter; and they stampeded to be the first for financial execution and ruin.

High financiers saw the stampede. They welcomed it. They improved the opportunity it presented of feathering their own nests. They supplied the demand; got their finance higher and higher; their watered stock kept pace with the procession; and when the collapse came the public itself proclaimed "what fools these mortals be."

The supply of fakes in finance is for the most part due to the demand. Were it not for the dupes, of what use would be the operations of fakirs?

After an investor has been duped—sometimes it takes a long time to convince him—he sees through the game played upon him—and he wonders how it were possible for him to be so foolish.

Then comes repentance—after the mischief has been done.

After an exposure; it all appears so simple. The investor blames himself for his blindness. Perhaps he was

blinded by the magnitude of the operation; perhaps by the standing of the promoters; perhaps the finance was too "high" for him, he could not understand it, and went it blindly.

It is a good principle that when finance is too high for you to understand, to consider it beyond your reach, and let it severely alone.

Not infrequently it is well to regard the term "high" in the same sense that an Englishman applies it to meat—tainted, and if too high, rotten.

Much harm has resulted to investors by the application of high financial priciples to mining propositions. As in the case of the industrials, the harm done is the result of blindness on the part of the investor.

The mining investor became blinded by the glamor of high finance, or flub-dub systems of finance applied to mining, which he did not understand, until after he had parted with his money, and it was too late.

There are various forms of the flub-dub systems. Attractive to some, it is a question however, whether they would be, were they better understood.

Usually, these systems are designed, to provide the investor with an alleged guarantee against loss. The guarantee takes various forms but for the most part it is absolute, iron clad, and in many instances gilt-edged.

Did you ever stop to consider, the various schemes of the bunco man, who plies his nefarious calling, oftentimes openly, among the gullible element?

The three-shell game; the gold brick; the loaded dice; the stacked deck; each with its invitation to participate, carries with it the assurance that "you cannot lose."

It takes only ordinary intelligence to be wary of the sure-thing bunco man, yet sane business men will go against the sure-thing promoter, with no thought, that his is a confidence game in another form.

The opinion widely held, that all mining ventures are risky, is the chief reason for the various flub-dub sys-

tems of mining finance, designed ostensibly to eliminate this element of risk.

Prospect mining must of necessity be risky. There is no absolute assurance of developments in undeveloped ground. The more promising the prospect, the greater are its possibilities. A good prospect is a good risk, and with intelligent operation the possibilities for profit, make a careful investment one of the most attractive to a shrewd business man.

It is impossible to entirely eliminate, the element of risk, from a prospect mining venture.

A guarantee on a developed mining proposition, can extend no further, than the ore actually blocked out, and in sight.

A business man expects to take a fair business risk in any business venture. The greater the possibilities for profit, the greater degree of risk he expects. The exceptional possibilities for profit in mining, make this form of investment, attractive to the shrewd business man, who is willing to take a business chance—and all that he asks is a fair run for his money.

A business man asks no guarantee against loss. He is willing to take a fair business risk in mining as in other lines of business. He has good reason to view with suspicion, any offer to guarantee absolutely against loss, his investment in a prospective enterprise.

To him the guarantee savors of the sure-thing game of the bunco man.

An absolute guarantee against loss, in an undeveloped mining venture, led to an investigation. The guarantee was advertised by a well-known firm of eastern promoters. The firm was asked to explain the system of guarantee.

The explanation was in effect, that the firm had floated several mining companies, some of which had reached the dividend stage. A Trust Fund had been instituted, to which were donated a certain number of shares of all the companies promoted. The new flotation—the prospective propo-

sition—was financed with a guarantee based on this Trust Fund. If the flotation proved a failure, the stockholders in it, were given the privilege of exchanging stock, for stock from the Trust Fund in one of the successful companies. By a successful company was meant a company which had reached the dividend stage.

A further investigation, elicited the indignant assertion, that the guarantee was based, upon securities owned by the promotion house, and having a market valuation of upwards of $1,000,000. Reference to the mercantile and commercial agencies was given, for information regarding the standing of the firm, and its financial responsibility.

It is presumed that the stock given in exchange for that in the unsuccessful company—the dividend-paying security having good market value—had no strings to it. It was in effect a gift, passing to the absolute ownership of the shareholder, who could, if he so decided, at once realize upon it at its market value. It was, in reality, giving him so much cash equivalent,, to the original principal which he invested. Just why cash, and not dividend paying stock was given, it would be difficult to say.

The proposition therefore was this: the promoter offered stock in a new flotation; giving an absolute guarantee against loss of principal, the guarantee based upon his personal holdings of stock, which had a then market valuation of upwards of $1,000,000.

Why did the promoter not invest his own money?

He took all the risk, should he not therefore take all the profits?

Why keep idle, and to him unprofitable his own dividend-paying stock?

Why not negotiate a loan upon it, or sell it, and with the proceeds, invest in the new flotation himself?

If he were seeking the cooperation of intelligent business investors, he would know, that they would expect to take a business risk. If they had no confidence in him, or his proposition, they would not invest at all—with or with-

out a guarantee. The offer of the guarantee, would of necessity make most business investors, view the entire proposition with suspicion.

There are other forms of operating the Trust Fund system. One is to issue a guarantee to exchange stock, in a so-called successful company, for stock out of the Trust Fund, the shareholder in the unsuccessful company making his own choice. All the Trust Funds, for the most part, are made up of apportionments of so many shares, of the various companies promoted, in one aggregation, by one firm of promoters.

The system referred to, limits the guarantee simply to the exchange of stock. It carries no guarantee against absolute loss.

Accepting the fact, that promoters are not philanthropists, and are not called upon to act as such, it naturally follows, that the promoter himself does not suffer under the system, but makes good in some other manner.

The housekeeper who gets a premium on soap, expects to get inferior soap. When she enters the market for good quality goods; when she seeks the best, that money can buy, in housekeeping supplies; groceries; wines or other luxuries, she does not seek premium goods—the thought of a chromo never enters her head.

Some buyers, even stock buyers, are ever seeking a chromo. The intelligent business investor steers clear of it.

There are many ways, in which a merchant can "make good," for his premium, and so it is with the promoter of mining stocks.

He can take a larger apportionment of promoters' stock, when the organization of the company is being perfected. He can charge a higher price for treasury shares. He can exact from the company higher commission on the stock he sells.

When you are seeking premium stock of any kind, stop and consider whether it is not likely that you yourself are paying for the premium.

A word on the subject of the Trust Fund, and guaranteed dividend. Here is the same aggregation of companies promoted by one firm, or under one system. A certain amount of the stock of each company is apportioned the Trust Fund. As the companies reach the dividend period, the dividends on stock of these companies, in the Trust Fund, go into the Trust Fund, and are allowed to accumulate.

The stock in the new company, carries a guarantee of dividends, for an indefinite period. If these companies fail to earn their guaranteed dividend, the Trust Fund is called upon to make up the deficit.

In some instances, this deficit is made up, until such time as the promoter considers that the company has no longer any chance of success, and then the company is classed as unsuccessful, its affairs are wound up, and the shareholders are given the privilege, of exchanging their stock, for that in another company in the same aggregation.

"A chain is no stronger than its weakest link."

Is there a weak link in this system of Trust Fund guarantee?

We will say, that there are thirty companies comprised in the aggregation. Ten of these are wound up as unsuccessful. Now, then, if three, two, or even one of the companies proves sufficiently profitable, to make up the deficit in the guaranteed dividends of the remainder, all well and good. But supposing they are not, to what does the guarantee amount?

Far be it from the desire to detract from the possibilities of success in mining ventures. These possibilities stand for themselves. The percentage of loss, and failure in mining, when conservatively and intelligently conducted, is much less than in other forms of industry, or business.

The purpose is, to show that it is impossible to guarantee absolute success in mining, any more than in other forms of business—and the dividend guarantee referred

to, is not for a certain period, but like Tennyson's brook, it goes on forever.

Such guarantees are not demanded by conservative, intelligent business investors, and it is a noticeable fact, that where given, the investor pays relatively higher, than when buying stock in an "old line," honestly promoted prospect company, where the risk is not disguised, where the probable profits are greater, and where he gets a fair run for his money.

Now in the matter of successful, and unsuccessful companies; companies which have reached the dividend paying period, and those which have not. Under some of these Trust Fund systems, this distinction plays more or less an important part.

What constitutes a dividend paying security?

One system in mind, guarantees the investor, that he will be given by the development of the enterprise operated by his own company, or by exchange in another company, a "dividend paying stock."

If the guarantor, stipulated a stock, which should in a given period, pay a certain percentage on the principal invested, it would be different. The guarantee, usually stipulates simply that the company will be placed upon a dividend basis.

The company opens a streak, or pocket of pay ore. After working it awhile, it becomes exhausted, and further search, at great expense, fails to again put the workings in ore. Again, a knife blade seam of high grade is encountered, and this is mined at a large expense. Practical miners would pass it up, considering the ore as being in unmarketable quantity. In each instance, the ore is carefully saved, and in one lot is consigned to the smelter. The proceeds are proclaimed with a flourish of trumpets, and the stockholders think that at last a mine has been developed.

A dividend is declared.

Perhaps the promoter can show, by a manipulation

of figures, that the dividend has actually been earned, over and above expenses. Whether or not, the dividend has been declared from the actual proceeds of ore produced—and the company has, acording to the guarantee, been made a dividend payer.

Again, what constitutes a dividend paying security?

Is not a dividend of one-tenth of 1 per cent, as much, in the accepted term, a dividend, as 3, 4, or 5 per cent?

So long as one dividend, however insignificant, has been paid, has not the promoter made good his guarantee?

Let us take another incident. There is a certain well-known company which has paid over $1,000,000 in dividends—more than the total amount of its capital stock. Whilst paying dividends, the stock of this company, sold as high as $7.50 per share.

Under some of the systems of guarantee, would not a promoter have been considered making good his promise, or guarantee, by giving stock in this company in exchange?

But since that time dividends have stopped, and the stock could be bought at 30 cents a share or less.

In justice to the company, and the industry, it should be stated, that more recently the stock has advanced again, and dividends are once more being talked of. However, it provides an excellent object lesson, of the element of risk even in a developed mining proposition, and of the fallacy of guaranteeing any thing, absolutely, in any form of business.

It is hoped also, that it will teach investors, to be careful when accepting a guarantee, even the guarantee of a dividend paying security, to see that it is definitely stipulated just what is guaranteed.

The gold bond given with mining stocks, is another system of guaranteeing against loss, which at one time became very popular. The system is a very simple one, but the majority of those who invest under it, are not advised fully regarding the manner in which it is conducted.

Its perniciousness, lies in the misrepresentation usually practiced. Its harm is more in its abuse than its use.

The promoter advertises: "A gold bond goes with every certificate," "stock guaranteed by a reputable guarantee (or trust) company," "absolute guarantee against loss," "you cannot lose," "if the mining venture fails you still get your money back," etc.

It is made to appear, that the reputable trust company, itself has caused to be made, a thorough examination of the mine, or prospect, and on account of its exceptional character, has undertaken to guarantee the investment.

Let us see how the scheme is worked. A company is floated, and the stock is valued, say, at 20 cents a share. Instead of placing it on the market at 20 cents, the promoter makes the price $1, and offers a guarantee bond with the stock. With a part of the difference between, the price at which the stock is actually valued, and the price at which it is sold, the promoter buys fifteen or twenty year accumulative bonds, and thus guarantees the investor. Instead of the bulk of the investors money being invested, in what is expected to be a highly profitable mining proposition, it is invested in a comparatively low interest bearing accumulative bond.

If such were appreciated by the majority of investors, they would invest their 20 cents in mining securities, and if so disposed would themselves invest the balance in bonds.

And herein lies the misrepresentation. It is made to appear (1) that the company, or the fiscal agent, is guaranteeing the return of the principal invested, when in reality it is the investor who is guaranteeing himself; and (2) it is made to appear that the guarantee or trust company, is guaranteeing the investment, by reason of the exceptional character of the proposition, when in reality this has nothing to do with it.

Now, every one knows, or should know, that the trust company investigates nothing, and cares nothing about the mining company or its property. So long as the pay-

ments on the bond are made, the stock is guaranteed. When they stop, why, that is the end of the guarantee—and the trust company by pocketing the premiums profits accordingly.

If the system were fully explained, by the promoter, it is unlikely, that his flotation under it would prove very successful. He should clearly and plainly explain the system of operation, and not mislead or misrepresent it. The investor should know that his own money is being used to purchase the bonds, and more, he should be informed regarding the proportion placed in the company's treasury, and that invested in the bond.

This last feature is a highly important one to the investor. Under every circumstance he should know; he has a statutory right as a stockholder, to have an accounting of every penny, that he entrusts with the promoter, for investment in a company.

The chances are that in nine cases out of ten, if an investor knew that he was practically guaranteeing his own investment, and particularly if he knew that he could himself protect his investments in the same manner, by himself purchasing bonds probably at better terms than those charged by the promoter, he would not buy stocks guaranteed under this system.

This system of bonded stocks, is operated along practically the same lines under the term of "the building and loan plan applied to mining;" and in some instances, it is openly stated, that investors may themselves select an old line insurance company, and the promoter will cause a life policy to be issued to them, calling for an amount equal to the sum invested.

In both cases the investers' money pays the premiums.

To ask investors to pay these premiums, to guarantee themselves, and then charge them a stiff price for their stock, in oftentimes a worthless mining venture, is patterned after the high finance, as applied to other forms

of industrials, and for the most part can be characterized as obtaining money under false pretenses.

Honestly promoted, guaranteed investments, of which there are many dealt in, in the leading financial centers of the country, are not based solely on prospective ventures. For the most part, the earning capacity of the enterprise, has been determined, before the corporation is organized.

How is it possible to estimate the earning capacity of an undeveloped prospect?

The financing of a big producing proposition is a comparatively easy matter. Manipulation and trickery may be practiced later, but such things occur in other lines of business and cannot be prevented. A big mine with ore reserves blocked out ahead of production, if honestly and conservatively handled, is as safe a business venture as could be desired. A qualified mining engineer can estimate the gross value of the ore reserves, and then by scientific methods of calculation, can determine the probable cost of operation, and the margin of profit to be made.

The prospect, however promising, is a prospect still. Its value is wholly prospective, and an investment in any prospect proposition, must of necessity, be speculative, no matter how promising the prospect. No system of flotation can eliminate the speculative feature of prospect propositions. A bond company can see no further into the ground, than a guarantee company, and neither can see prospects ahead as well as a prospector. The guarantee company, that guarantees a prospect proposition, needs a guarantee for itself, and needs it badly.

The development of undeveloped resources is of necessity of a speculative character. There are in the great west, vast areas of as promising undeveloped mining territory, as can be found anywhere else in the world. The resources need development, and it will take big money to develop them.

What the west needs is not so much flub-dub, bond, and guarantee plans, as plenty of capital, to be conserva-

tively and properly applied to the development of its matchless undeveloped mineral resources. Ample funds forthcoming for this end, and the result will be, that we shall be placed so far ahead of all other countries as a mineral producer, that we shall have absolutely no competitor.

CHAPTER IX.

INVESTORS AND SPECULATORS—THE LISTED AND UNLISTED SECURITY—INVESTING ON 'CHANGE—GOOD AND BAD EXCHANGES—THE IDEAL EXCHANGE—THE "WASH TUB" EXCHANGE—NEEDED AN OUTLET FOR UNLISTED STOCKS—NEED FOR NATIONAL MINING STOCK EXCHANGE—CONDITIONS HAVE DEVELOPED UNLISTED SECURITY AND CUT RATE BROKERS.

Which are the better stocks, listed or unlisted—those reglularly listed upon stock exchanges, or those dealt in by promoters? Should stocks be bought for investment or speculation? Why do unlisted securities usually sell at a relatively higher price, than listed securities?

These and others are characteristic problems, which confront investors, and are well deserving of marked consideration.

There are, and always will be, two classes of stock buyers, those who buy for an investment, and those whose only desire is to speculate.

The investor is usually represented, by the shrewd, careful, level minded business man, who, recognizing, that money to make money, must be invested carefully in meritorious and profitable ventures; not unnaturally is attracted to mining as offering exceptional possibilities for profit. It is a business proposition with him, and he knows that if he chooses carefully, that success is reasonably assured.

An ideal investment of this character, is not expected to be subject to manipulation, and the investor whose first thought is safety, and profits on actual merit, will probably realize on his holdings, as soon as he detects manipulation in any form.

It is principally for this reason, that he avoids the securities listed on 'change. He knows that, however meri-

torious his individual listed holding, it is subject to general market conditions, and fluctuations,or individual manipulation, which is likely at any time to place a fictitious valuation upon the security, either one way or the other.

The speculator prefers the listed security, by reason of its fluctuations in price, and the consequent opportunities presented, for a 'scalp,' either on the rise or fall of the price—and the gambling spirit is peculiar to all men, to a greater or less degree.

Those who advocate the listed stocks, will point to the fact, that a market is always available; that the holder of the stock can always realize, at some price, by offering his holdings on the floor of the exchange.

He will point to the fact, that the open market is a leveller of prices, and precludes too high prices being arbitrarily placed by the promoters. He will say that he has no use for a security, the promoters of which, are afraid to subject it to the levelling test of value, consequent to the open bid, and asked price on 'change.

Both arguments are good. Both the trading in listed, and unlisted securities is necessary for the welfare of the industry—and especially under the prevailing conditions.

Stock exchanges encourage speculation. They also stimulate investment, and they provide an open market for the shareholder, to realize on his holdings, where, for the most part, in the case of unlisted stocks, there is provided only a market for him to buy.

The stock exchange creates a wide interest in the industry, the stocks in which it deals; and if the proper safeguards are thrown out, the speculator is assured a run for his money, without having to go to the trouble of making an extensive investigation.

Intelligent investors, with careful selection, may find splendid opportunity for investment, in stocks regularly listed on reputable stock exchanges, properly conducted.

Particularly when prices rule low, for sentimental reasons, or on account of discouraging developments of a tem-

porary character, meritorious securities can be selected, which will, when the market advances, show a large percentage of profit. Investors should remember, that it is during such times that the professional trader 'loads ,' to, in turn, 'unload' on the public, when the advance takes place. The public invariably waits until the advance is well under way, and consequently usually "gets in" at top prices.

By careful selection, meritorious prospect shares, listed on 'change may be picked up at very low prices, to be held as an investment, until the proposition is developed to the dividend basis.

Shrewd investors can, oftentimes, find splendid 'snaps' among the listed dividend paying mining securities. The suggestion is offered, that readers do a little figuring, and conduct a little investigation regarding some of these securities at their present market prices. They will be surprised at the result of their findings; particularly if at the time, prices on 'change are ruling low.

Pick out the dividend paying securities from the latest stock quotations, and note the prices at which the last sales were made. Figure how much per 1,000 shares the stock was sold. Then figure what percentage of interest the purchaser would get on the principal invested, if he held for one year—irrespective of any subsequent fluctuation in market price.

Let us take an example. A certain stock is selling at $1 per share. One thousand shares would cost $1,000. The company pays 2 cents per share a month. On 1,000 shares we should get in dividends $240 in one year. This is 24 per cent. on the principal invested; and the stock selling on such a basis will advance materially, provided the management is good, and we are satisfied that the mine is in good physical condition. The advance in price will of course give us still greater profits.

Time and time again, meritorious dividend paying mining securities, representing safe investments, sell on

'change on such a basis, on account of the lack of interest, and actual participation of the investing classes.

Those who trade in listed securities for investment, and not for speculation, must conduct careful investigation, and invariably it will be found necessary, to do as do the professionals, viz., "get in" when the public is "out" of the market, and "get out" when the public is stampeding to buy.

The same system of investigation; of getting down to the basis of valuation, must be followed in the case of listed securities, as with the unlisted.

There are good, and bad stock exchanges; factors for good or ill, as the case may be, for the industry or industries, represented by the stock traded in on their boards. The regret is, that there are not more meritorious, and properly conducted mining stock exchanges in the country.

The bona fide stock exchange is designed primarily, for safeguarding the interests of stock traders. It can always be taken for granted, that the brokers' interests are well looked after, because the brokers constitute the membership, and will look after themselves.

Proper rules will be provided, allowing a fair commission to the broker, and furnishing him with ample protection in his trades. Rules safeguarding the public are even more necessary; and it is well to let those exchanges alone, which have not such rules.

These rules, for the most part, will be designed in accordance with the policy of publicity; they will be rigid, and binding, and rigidly enforced by a fair, and honest governing board.

An ideal stock exchange in mind, requires the stocks listed with it to be passed by a listing committee, appointed for the purpose. The company submits a full statement of fact, regarding its financial, and physical condition. Every question asked by the committee, must be sworn to, by some officer of the company.

If a big producing proposition, the statement is in-

variably accompanied, by the signed report of a mining engineer, or expert of standing. The exchange employs its own attorney to thoroughly investigate the titles to the company's property.

All stocks traded in, must be regularly listed with some reputable trust company, to protect investors against an over-issue. While the over-issuing of stock is a criminal proceeding, punishable under the statutes, some unscrupulous company officers have resorted to it, and the placing of these men behind the bars, is but small satisfaction to the unfortunates who have bought the over-issued stock.

Nor do the requirements of the exchange stop with the original report of the listing committee. Subsequent reports must be furnished, at stated intervals, giving full information of the company's financial, and physical condition. Some exchanges require annual reports; some every six months; some every three months. The more frequent the reports, the better for the public.

When these reports are not forthcoming, the stocks are dropped from the list, causing them to be viewed with suspicion by investors, if the proper explanation cannot be given for the action, by the officers of the company.

Investors should always view with suspicion, any apparent attempt to shun publicity, on the part of officers of any public companies.

The exchange requires the essential information, to base a judgment as to merit, and this information is filed for the use of the broker, and the public. With the necessary information provided, the public is advised regarding the property value represented by the security; it knows that the security actually represents something; and it is assured a 'run for its money.'

The particular exchange in mind, issues in pamphlet form, every six months, a digest of the reports of all companies, the stocks of which are listed with it, and the public is thereby kept fully informed.

Nothing more could be wished of an exchange. It

cannot control the fluctuations of stocks, on the open market, and it cannot prevent other than the most questionable forms of manipulation.

There are institutions parading as meritorious stock exchanges, which on the face, act the part, but if put to the test, they will be found to be simply gross impositions on the public, conducted by designing men.

When we investigate these frauds, we shall find—if we can get access to their rules—that they are operating to the advantage of the broker members, and at the expense of the gullible element of the public.

The listing rules of some of these institutions are grotesque. We shall find, invariably, that the listing committee is made up of "highly responsible, and "experienced brokers of standing,," and for the most part "the listing of stocks is left to the judgment of these gentlemen"—irrespective of what the public might think, if it were to be rendered statements covering the actual financial, and physical condition of the companies which they represent.

Not infrequently so many stocks are listed 'complimentary,' and arbitrarily' on the part of the listing committee. No reports are required. The stocks are either 'active traders' or they represent 'mines of merit,' and—well, the names give tone to the list.

The case of an 'active trader' stock listed on one of these boards was brought to notice. It was a very popular stock; was very well known—by name; and it was a very active trader.

No report had been required. In consequence the public was not advised, that a debt was being accumulated against the company. When the announcement was made that a bond issue amounting to $200,000 would be necessary, to put the company again on its feet, the bottom dropped out of the stock on 'change. The "inside" did not suffer any; it had taken advantage of the fact, that the stock was an 'active trader,' and it had unloaded every share at top prices.

The same discouraging developments are likely to arise in the case of the dividend payers; and such an obliging policy on the part of the listing committee, of any exchange, is very apt to be taken advantage of by the 'inside' of companies, however 'toney' these companies may be.

The laxity of the listing committee, is invariably a sure indictaion, that there is 'something rotten in Denmark.' If rigid rules for properly safeguarding the public, are not framed, and put into effect, it is very evident that those in control of the exchange have no concern whatever for the public.

For the most part these institutions are designed; and the complimentary, and arbitrarily listing of stocks, is also designed, to mislead the public.

Do you know what it is for brokers to 'wash' sales of stock? It is very simple. Smith says to Brown: "I'll sell 10,000 Blue Queen at 10 cents, and you buy it at that price. You give me your check, and I'll give you mine in return. I want to make a market for my stock."

Reputable exchanges, and reputable brokers do nŏt do this.

There have not been wanting, instances where promoters in a town, have got together, organized an exchange, arbitrarily listed some 'active traders,' and dividend payers; and then under the cloak of a meritorious stock exchange business, have 'washed' their own stocks back and forth, leading the public to suppose, that they were in great demand at advancing prices.

Not infrequently, the daily calls of these institutions are conducted by the man, who compiles the quotation and sales sheet, for the edification of suckers—the brokers having failed to put in an appearance, for the purpose of rehearsing their daily farce.

The publication, in the daily press, of these fictitious quotations, and 'wash' sales, helps to dèlude the public as to the true character of the institution.

There are only a very few reputable, and responsible

mining stock exchanges in the country. These are governed by rigid rules; and these rules will be furnished any investor, sufficiently interested to ask for them.

Investors before dealing in the listed stocks of any exchange should become sufficiently interested to investigate the methods employed—to ascertain whether they are dealing on a stock exchange, or with a 'wash tub.'

The established mining stock exchanges of the country for the most part, handle only specialties. We have one or two handling Cripple Creek stocks; one handling Utah stocks; one dealing in copper stocks; another dealing in Comstock, and Tonopah securities. One only, handles the stocks of many camps, and these practically, as a side issue, to other industrials, railroads, bonds, etc.

There is need of at least one exchange in the country to handle mining stocks of all camps, and in all forms—dividend payers, financed prospects, etc. This should be exclusively a mining stock exchange.

Such an institution, properly conducted, would be a great stimulant to mining investment. It would give the industry a greater reputation. As it is, mining stocks are gauged from the meagre representation on the exchanges of the country, or from the standpoint of the less desirable class of unlisted securities.

Examine the long lists of mining stocks daily called on the London Stock Exchange. There are here represented, mining sections in all countries of the world. The mining stocks are as popular as any other class, and are regarded as highly.

Why should we not have such a representation in America for our mining stocks?

There is no good reason. We should have it. There is a demand for it; provided the institution is conducted along the proper lines.

Consider the magnitude of the business in unlisted mining stocks, and it will be at once evident, that there

should be a centralized market; a facility required for the use, and protection, of stock buyers.

The theory of the unlisted stock is a good one, but has it not outgrown its usefulness, by reason of the extent of the business?

The theory is, that buyers of these stocks become partners in an enterprise, to reap their profits from legitimate development upon actual merit. They buy these stocks for an investment: choosing, and basing their judgment on merit.

If they are forced, through unfortunate circumstances, to realize upon their investment before the company is financed, they will, if conscientious men, use care, that by so doing, they will not jeopardizze the interests of other stockholders. They will not publicly offer their stocks for sale, thereby shaking the confidence of others, but will, if necessary, make a sacrifice to realize the money they need.

After the company is financed, the matter of shaking the confidence of others, does not figure so largely. The company is on a self-supporting basis, and can firmly stand upon its own feet. But where is the market for the stocks of financed companies?

There is practically none, so far as the meritorious stock exchanges are concerned. They deal in a comparatively few stocks. A very small proportion of companies list their stocks, even though these companies have passed beyond the financing period.

The stocks of unfinanced companies should not be listed under any consideration. They should not be subjected to any speculative or manipulative influences whatever. They are sold to raise money for development, and equipment, and not for speculation.

The company which lists its stock before the financing period is passed; or subjects it to any form of speculation; risks having its price depressed to a point which will not permit the raising of funds required, and thereby jeopardizing the future of the enterprise.

Under such conditions the company may have to enter the open market itself in support of its own stock. One promoter, caught this way, spent $50,000 trying to maintain the price of his stock in an unfinanced company, which was listed upon a stock exhcange, and had become influenced by general market conditions.

A mining company is not called upon to conduct a brokerage business, nor to speculate on 'change in its own shares. There is no good reason, however, why financed companies should not list their stocks upon reputable stock exchanges, thus enabling their shareholders to get the full market price for their stock, when they are forced to realize upon them.

There is needed an outlet for the vast amount of unlisted mining securities, which have been sold throughout the country. These stocks do not altogether, simply represent tinselled paper. Many of them represent meritorious financed propositions. There should be a central market for trading in them.

This market must be of such a character, that the man who buys, is protected, as much as the man who sells. It must not be of the kind, which enables the holder of a worthless stock, to unload upon his unsuspecting neighbor. The buyer must know exactly what he is buying; that he is really buying something, and not simply a piece of paper.

There is a traffic in worthless stock, and it should be stopped.

An institution for the trading of the unlisted securities should be organized along the proper lines, and should permit its members to handle only those stocks which have some merit. The companies should be passed upon, regularly; and the exchange should stand good for the fact, that the stock actually represents, what is claimed for it.

The accumulation of so much of this unlisted stock is detrimental to the industry in several ways. It has, by forcing an outlet for itself, caused the springing up all over

the country, of unlisted mining stock brokers, who in some instances are operating to the detriment of the industry.

Whilst temporarily relieving the situation, they are doing harm, by encouraging a traffic in certificates; and there are other bad features in the development.

Some are endeavoring to honestly conduct a meritorious business, and their efforts should not be condemned. It would be much better, however, if instead of operating privately, they should devise means to trade openly, on a public stock exchange, along lines outlined above.

The condition described has given birth, also, to the Cut Rate Broker whose operations, and methods, are of sufficient importance to treat of in a separate chapter.

CHAPTER X.

THE CUT RATE BROKER—"CUT RATING"—"SCALPING"—DEALING IN BOUGHT OVER TREASURY STOCK—UNLOADING PROMOTERS' STOCK—ADVANCING AND MAINTAINING PRICE OF TREASURY STOCK—REMEDIES DISCUSSED—BROKERS WHO DEAL IN CERTIFICATES WHICH HAVE NO VALUE—MANIPULATION ON THE CUT RATE BROKERS' EXCHANGE.

A very critical period in a mine's history, is that during which, the prospect is being developed into a shipper, of such proportions that it reaches a self-sustaining basis. It takes money to accomplish this result. Even the most promising of prospects, require capital to develop them into mines.

It is an accepted fact, that more companies fail, through lack of funds for development purposes, than through failure of the prospect to make good its promises.

Few will dispute the assertion that, it is harder work, for many honest and capable prospectors, and operators, to find money for development, than mines to develop.

Recognizing the truth of the foregoing, it will be evident, that any system which hinders the company in its work of legitimately raising funds for development, must be regarded as harmful, and be deplored. Such work indirectly affects the welfare of every shareholder in the company; and in turn the welfare of the district, in which is located the company's property. It is in fact, a menace to the entire industry, as it retards the development of our promising prospects into producers.

Much harm, in this connection, is being done by so-called Cut Rate Brokers firms of which have more recently sprung into existence, principally in the large eastern cities.

These firms also class themselves as Brokers in Unlisted Securities. They charge their existence to the fact, that there is no outlet for the unlisted mining securities; that investors want to sell their stocks; and others want to buy them; and they provide the medium of exchange demanded by existing conditions.

Invariably, however, these unlisted brokers combine the business of cut-rating with that of dealing as brokers in unlisted securities.

The term cut-rating, is consequent to the similarity of the stock broker's business, with that of cut-rating in railroad tickets. That it has been made possible, is principally due to the fact, that there is no regular public exchange to provide an open market for these shares. Stocks not being subjected to the levelling influences of a public call, have no established market price, the trades being of practically a private character and the prices being regulated similarly to 'drives' in dry goods, and other merchandise.

Investigation has shown that these concerns, comprise practically, individual and private stock exchanges, dealing in longer lists of securities, than some of the largest, established and reputable stock exchanges of the country. Incidentally, it should be noted, that stock exchanges are the most valuable, and less harmful in commercial life, when they are founded on a substantial business basis, and regulated by rigid rules, rigidly enforced, for the protection alike of broker, speculator and investor. The Cut Rate Brokers' stock exchange has but few rules governing its trading, and these are designed for the protection simply, of the governing board, and the broker—represented in both instances by the broker himself.

It has already been stated that under no circumstances should there be an open market for stocks in unfinanced companies—companies not yet beyond the development, and equipment period. These stocks should never be subjected to speculative, or manipulative influences.

It is by the encouragement of speculation in stocks of unfinanced companies that the operations of the Cut Rate Broker are the most harmful to the mining industry.

The Cut Rate Broker operates as a 'scalper.' The scalping system consists of purchasing stock when first offered by the company—at bed rock prices—and holding it for an advance. As work progresses at the property, the company, naturally, advances the price of its treasury stock. When a sufficient advance is scored, out comes the Cut Rate Broker's stock, quoted at a price a little less than the advanced price of the company's stock.

The Cut Rate Broker gets a profit through his speculation, and charges a commission to the purchaser of the stock, thus making more profit. But by virtue of his quotation, at a lower price than the company's price for treasury stock, he shakes the confidence of the public in the proposition, as well as shaking that of other stockholders.

Not only the Cut Rate Broker's stock, but that of dissatisfied or disgruntled shareholders, who also bought at bedrock prices, is offered for sale by the Cut Rate Broker. The treasury shareholder who sells in this manner is a detriment to any company, and wreaks a great hardship upon the promoters, who are struggling to raise funds to put their mine upon a paying basis. Not infrequently, promoters are forced to buy back the stock of these shareholders, to protect the company's price. All treasury stock offered at a cut price, not unnaturally, tends to create suspicion in the minds of other investors, against the stocks so offered. It, of necessity, makes it difficult for the company to sell its meritorious treasury stock at a fair price.

In many cases promoters are required to pool their stock, until the enterprise is on a paying basis. What can be thought of the treasury shareholder who, in face of this fact, and at the expense of all other stockholders, throws his stock on the market to be sold below the company's price?

The system of paying for treasury stock in install-

ments, covering a period of several months, and not delivering the stock until the end of that period, is being adopted by some companies. This affords some protection. The suggestion has also been made, that all stock be pooled until the company is on a self-supporting basis.

Investors who purchase treasury stock in a developing company do so as an investment. Investors buy these stocks with the purpose of having their money go toward the legitimate development of properties. If treasury stocks were generally dealt in as a speculation, where would the money come from to develop undeveloped mineral resources?

Here it is necessary to look at the other side of the question. What is the motive in buying this second-hand stock?

The investor thinks he is getting in cheaply, by buying cut rate stock. On the face of it he appears to be doing so, but is he?

A shareholder is, to all intents and purposes, a partner in the company's enterprise. The best interest of the company is his own best interest. By buying bought-over treasury stock, he does not benefit his company, but on the contrary does it harm.

A company sells treasury stock to raise funds for development. Upon the success of raising these funds, depends largely the success of the company. The stock is sold, by the first purchaser, and in turn sold and resold. The company gets the first purchaser's money. It does not benefit by the subsequent deals, but indirect harm is done, by virtue of the shaking of confidence in the company and the consequent bear influence on its stock, the price of which it is to the interest of the company to maintain.

There is another kind of stock, which those who deal with Cut Rate Brokers, are likely to get hold of. This is promoters' stock.

Designing promoters, not content with unloading treasury shares upon the public, sell that part of the company's stock reserved for themselves—promoters' stock. Of course,

it is only the undesirable class of promoters who do this, and it is to be supposed, that they never had real confidence in the outcome of the enterprise they have been financing. The Cut Rate Broker offers a good medium through which the unscrupulous promoter can unload. The investor supposes that he is buying treasury shares, and the broker does not trouble to disabuse him of the fact.

It is a short-sighted policy to buy bought-over treasury shares in a developing company. It does not benefit the company, but harms it. What, then, can be said of buying promoter's shares in a developing company? When the promoter himself—"the inside"—has no confidence in the outcome, why consider the stock as a purchase?

There are times when good and sufficient reason can be given, even for promoters to sell, but no legitimate reason can be ascribed for a promoter unloading his own stock during the developing period, especially by such an underhand method as the medium of a Cut Rate Broker.

It will be evident that investors, after having selected their investment, should carefully ascertain what stock they are buying. In buying stock in a company not yet beyond the developing and equipment stage, care should be exercised to see that the money really benefits the company. Such stock should be bought either direct from the company, or through one of its duly accredited brokers or agents. Otherwise the investor will buy bought-over treasury stock, or, still worse, promoters' stock.

The fact cannot be disguised, that many unscrupulous promoters unload their own stock when selling treasury stock, and pass off this promoters' stock as treasury stock.

There is room for reform in this connection to do away with this evil. A suggestion is offered which, if adopted, would be the means of preventing this practice.

All stocks should be listed with some reputable trust company; and they should be issued with the stamped endorsement of these concerns on them. The trust company should stamp the certificate "original treasury stock,"

''promoters' stock,'' or ''bought-over stock,'' as the case may be.

This system could easily be adopted, at a small expense to the companies. It would be the means of definitely advising investors as to the character of their investment. It would assure the investment actually in the mines of more capital. The promoters who would adopt this system would demonstrate their integrity, and there would be reposed in them a greater degree of confidence on the part of the investing public.

Perhaps the most contemptible action of the Cut Rate Broker, is when he influences investors, not to buy treasury stock at company's price, by reason of the probability of being able to buy it at a cheaper price later. It has been already pointed out that every transaction in bought-over treasury stock, in a company not yet out of the development and equipment stage, weakens the company that much. Supposing all investors were to wait for second-hand treasury stock, from where would the money come to develop our prospects into mines?

It is the actual participation of the investing public which brings the money for development. Without this participation, where should we be?

Waiting for ''cheaper stock'' means weakening the company, in which you are contemplating an investment; and if you wait too long, there will probably be no company at all—and you will have the grim satisfaction of having contributed nails for its coffin.

Some investors may be gulled into believing, that the cheap stock is the result of a loophole in the company—someone on the inside can get stock cheaper, than it is being offered the general public. Perhaps the Cut Rate Broker himself has the inside influence. In such instances there is all the more reason for steering clear of the stock.

There is presented sufficient evidence to warrant forming the opinion, that loophole being synonymous to unscrupulous, you want nothing to do with such a transaction

any way. Such a proposition made to an honest investor, must of necessity weaken his confidence in the company.

And perhaps after all there is no loophole. It is simply a ruse of the Cut Rate Broker. It is one more argument showing the inadvisability of having any dealings with the Cut Rate Broker in treasury stocks of unfinanced companies.

Legitimately handled companies are designed for the protection both of the companies and their shareholders, who are, in reality, the company. It is to their mutual interest to keep up the price of treasury shares, and to keep them out of the hands of the Cut Rate Broker and speculator. In such companies, when funds are required, a portion of the treasury stock is set aside for sale, and the directors set the price. The stock is sold either direct, or through duly accredited agents. The proceeds of the stock go toward the development or equipment fund. There can be no loophole or "inside" price in a legitimately handled company. As soon as these develop, the company ceases to be one meriting the confidence of the investing public.

The argument has been presented, that the very system of arbitrarily advancing the price of treasury stock, as new allotments are made, encourages this practice of cut rating. Some promoters foolishly advertise these advancements as "profits." By using the term "enhancement in value," it would be less likely to encourage shareholders, in unfinanced companies, realizing on their "profits."

The Cut Rate Broker says he has a legitimate right to scalp these stocks. He has, but morally, what right has he to harm the industry, by any such practice?

Advancing the price of treasury stock as new allotments are made, ideally, is the right and proper practice. It has been rendered harmful, by presenting opportunity for profitable scalping, advantage of which has been taken.

Those who bought stock in the first allotment from the treasury, demonstrated faith in the outcome of the venture,

while yet in its early and partially developed period. They had a right to a cheaper price.

Their money developed and equipped the enterprise, and made it more valuable. The same rule applies to mines as to real estate; it is the improvements which enhances their value—the improvements, which bring the mine nearer the profit-earning basis.

The money raised on the first allotment is exhausted, and more is needed. Another allotment is offered the public. The proposition has enhanced in value since the first allotment was made. Shares are worth more—and the public had the same opportunity to participate which was given the early purchasers of stock.

Why did not the promoter anticipate, in the first instance, the full need of the company for funds? This is the argument presented.

Supposing he had; supposing he were possessed of second sight, and could figure down to a few cents in the matter of the amount needed to put the mine on a paying basis; what an easy matter to raise any sum of money required! Fortunate indeed are some promoters, if at the inception of an enterprise, they are able to raise money enough to prosecute, so to speak, a hand-to-mouth campaign of development.

Some promoters make the mistake of promising the development of their mines to a self-supporting basis, with the expediture of too small a sum of money. The foolishness of such a policy has already been pointed out, and the matter now at issue is the practice of arbitrarily advancing the price of the treasury shares.

Why not average the price of the stock and let all pay the same for it? This is another argument presented; and the claim is made for this system, that it would stop the pernicious practice of scalping.

not lose sight of the fact, that the early purchasers are

The method of advancing the price as new allotments are made, has become one of general practice; and one can-

entitled to a lower price. It is only fair to them, that they should benefit by their display of confidence during the most trying time of the enterprise; and their money has already resulted in enhancing the value of the proposition.

Companies should be strong enough to stand upon their own feet; their shareholders uninfluenced by any cut price quotation made upon their stock. Such is another grandiloquent contention presented.

As a great mind once expressed: We are confronted with a condition, not a theory. Unfortunately there is not such a general demand for stocks in prospect mining companies that these companies can withstand the discouraging influences of speculation in their shares. The time has not arrived when these companies can be financed in a few short hours, during which their subscription books are open to the public.

Without further discussing remedies, the fact is indisputable, that the practice of scalping or that of anything else which encourages speculation of any character, in stocks of unfinanced companies, is harmful to these companies, and to the industry generally.

It is a noticeable fact that the Cut Rate Broker does not make a specialty of well-known dividend paying stocks, representing developed and heavy producing mines. His operations, principally, are in the shares of the young and struggling company. In this respect he acts the role of parasite sapping the life blood of industry.

By purchasing stocks in developing companies from the Cut Rate Broker, the investor assists in this harmful work. Do not be a parasite. Be a builder, for in the end you will be happier and more prosperous.

It is a lamentable fact that in some instances the Cut Rate Brokers stock exchange deals simply in tinselled certificates, regardless of their representing any actual property value.

An incident is recalled, where a firm of Cut Rate Brokers advertised in its list a certain stock at $12.50 per share.

A stockholder in a company of the same name started an investigation, gleefully anticipating that what he had considered his worthless certificate would prove to have value. The stock advertised, sure enough, was in the same company.

The broker was appealed to, and was forced to admit, that the company represented by the stock was defunct. As a matter of fact, the company's incorporation had expired by limitation, and the company itself had been defunct for twenty years.

Yet the broker had no scruples, in foisting this certificate upon some innocent victim, at $12.50 per share.

The number of shares represented by the certificate is not known. At this price, however, 100 shares would have cost the purchaser $1,250, and 1,000 shares $12,500.

In the early days of a wild Western community, a man caught in such a transaction would have been lynched by the vigilance committee. Such, however, is the gullibility of some of the present-day investors, that this incident was brought to light, in a highly civilized metropolitan community in the East!

It is useless, as a general rule, to endeavor to corner one of this class of Cut Rate Brokers to a plain statement of fact, regarding any proposition, stock in which he is offering. He usually deals in glittering generalities, and makes promises for the company to the full limit of the prospective purchaser's endurance. When questioned too closely by an intelligent investigator, Mr. Broker will say, that he is simply a broker dealing in the stock, and that he waives all responsibility in the outcome.

As a matter of fact, this class of broker accepts no responsibility—he is simply a dealer in stock certificates at the highest price he can get for them. He cares nothing for the company; he cares nothing for the investor in the stock—other than to get his money; and he not infrequently cares not whether the paper he sells represents any actual property value.

Some firms make an honest attempt to gather information regarding the securities listed with them. Only the most unscrupulous, knowingly traffic in absolutely worthless certificates. The danger lies in the fact, that the broker waives responsibility in the trade, and it is left entirely to the investor to safeguard himself.

Let us inquire further into the system of operation of the Cut Rate or Unlisted Security Brokers, and their private stock exchanges. It has been shown, that a great harm is done by them through their encouragement of speculation in shares of unfinanced companies, and that some of them deal in absolutely worthless securities, irrespective of their representing any property value.

We shall find, that carrying out further the theory of the public, and meritorious stock exchanges, they manipulate securities in sometimes a daring and ingenius manner, worthy of a better cause.

They "bear" stocks, often by means of listing a dummy block for sale, and publishing a fictitious quotation. This tends to shaken confidence in the stock—and prices, like many other things, are based on the degree of confidence reposed.

Perhaps the broker himself wants the stock. Perhaps he has an order and it is to his advantage to fill it at the lowest possible price. Perhaps an "insider" anxious to get hold of more stock, "bears" the price by quotation in Cut Rate Broker lists, for the purpose of frightening out the timid shareholders. Unfortunately instances are rare where the broker plays "bull"—except perchance he is promoting a company himself, and then he is the first to squeal, if his own stock is "beared."

There has not been wanting instances where the bear tactic has been used for spite, with the sole purpose of harming the company and indirectly the promoters behind it.

Again, the Cut Rate Broker, without of necessity having an actual desire to harm a company, makes a low quo-

tation on its stock for the purpose of discouraging stockholders so that he may get hold of their holdings. Oftentimes he does this simply to stimulate trading, hoping thereby to benefit by his own commissions, or ''scalp.''

Some firms have combined a sort of banking department with the brokerage feature of their business. Like the brokers who trade on public exchanges they advertise themselves as 'bankers and brokers.'

These will offer to lend money on stocks, up to a certain per cent. of the alleged market value. Then if the bear tactics are pursued; and the quotation of the stock is lowered—usually arbitrarily—why the investor must 'margin up,' or have his stock sold to protect the broker in his loan. And the investor also pays so much per cent. interest per month on the money he has borrowed!

There is still another use to which is put the dummy stock quoted in brokers lists. One frequently sees quoted well-known stocks in good demand at companies' prices. They are offered below the companies' prices, and when an attempt is made to purchase, the investor is told, that 'the block has just been disposed of'; but that the Cut Rate Broker has an equally promising stock which he can offer at similarily advantageous prices.

This is the system used by the promoter-cut rater. The stocks listed, are dummies to attract clients—the other fellow's clients, who are inveigled into buying into the brokers' own 'game.' This system represents another form of unscrupulous operation on the part of those who are working at the expense of the honest promoter, and the industry generally.

The moral of this chapter will prove to be very plain to most readers. It is that all stocks bought from the Cut Rate or Unlisted Stock Broker be first carefully investigated. Blind investment of any kind should not be made. Where the seller of the stock waives responsibility, and represents nothing, it is very evident that the investor who buys from him, will find that he has purchased a gold

brick—a tinselled certificate representing absolutely no value, in property or anything else.

And even though he buy meritorious stocks; if these stocks represent unfinanced companies, the money invested does not benefit these companies. On the contrary the purchase represents taking that much from the development fund of companies, which the investor thinks sufficiently favorably of, to be making an investment in them.

There has been advanced arguments to show that the business is legitimate; and that more or less necessity exists for it. None can question the legitimacy of the business, provided meritorious securities are handled. The broker has a perfect right to conduct his operations, provided existing laws are not transgressed.

As for the necessity of the business under present conditions there can be no question, so far as is concerned the provision of an outlet for unlisted stocks representing financed companies.

There is only one safe rule for investors, however, and that is to thoroughly investigate before investing in all stocks, whether they be listed or unlisted, or whether they be traded in by promoters or brokers.

CHAPTER XI.

ASSAYS CANNOT BE SHIPPED—THE USE AND ABUSE OF THE ASSAY—RESERVES OF ORE WHICH ARE VALUELESS—MILLING MISTAKES—FASCINATION OF HIGH GRADE—LOW GRADE MINES AND THEIR POSSIBILITIES—MAKING CLAIMS ON WHAT OTHERS HAVE DONE—THE SITUATION OF CLAIMS—NEAR TO A BONANZA MINE BUT FAR AWAY FROM THE ORE.

While the main purpose of this book, is to point out the many pitfalls for investors in mining finance, it has been deemed advisable, to deal with some of the fundamental principles of practical mining. There are pitfalls for investors, who possess absolutely no knowledge of mines and mining, and a few of those more generally set by designing men, will be pointed out for the guidance of mining investors.

It has been tersely stated, that 'assays cannot be shipped.' The best test of a mine is not so much in the assays yielded from its ores, as the actual returns on the ore sent to market, through the medium of mills or smelters.

If the average value of the ore, as shown by the actual returns, leaves a margin of profit, over and above the expense of mining and milling it, why then the mine is a success. If the average is below, the ore has been marketed at a loss to the owners.

Assay tests are valuable things for the practical operator, guiding him in following his ore, and informing him of developments in it by exploitation. In the case of erratic ore occurrences, frequent sampling of this character is necessary; and the assayer is kept busy all the time assisting the superintendent in his exploitation work.

The assay is also useful as a guide in the exploitation of regular ore occurrences. Large samples, quartered down

show the superintendent what he may expect for his ore shipments; and if the returns show a material discrepancy from the average assay he naturally suspects that something is wrong.

There are other uses to which the practical man puts the assay; and not infrequently it shows a very erratic disposition, which is misleading, except to those practical men who understand it thoroughly, and know to what use to put it.

The use of the assay is frequently abused. We are told that certain ore assays "as high as" so many thousands to the ton. If we investigate, we may find that this does not represent an average assay of all the ore, but an assay on a picked sample, taken from a rich streak, or broken from one corner of a large rock.

Take a body of mineral, say three feet across. On one wall there is a streak carrying high values. Assays from this streak, show values up into the thousands, the rest of the mineral is below the minimum of pay. The high grade may, or may not raise the average of the whole to 'pay.' Again, the streak may be so small, it is impracticable to mine it.

It is true that the ore assays 'as high as,' but it is nevertheless true that pay ore in marketable quantity has not been found.

What we must discover for our correct guidance, is the average value of the whole. We must be very careful not to be carried away by assays on picked samples, which carry values 'into the pictures.'

The mining engineer, who examines a mine to determine its value, will get his assays from large samples taken from across the entire width of the ore bodies. These will in turn be broken up, and carefully quartered down, so that he gets a fair average sample of the whole.

Or he may test 1,000 pound lots, or several tons of the ore, by actual shipment to the reduction works. Mill or

smelter returns tell the tale, better than the most careful sampling possible.

And we may find a mine which has a large tonnage of ore available, the average value of which, while carrying comparatively high, may represent the fact, that the entire tonnage is valueless!

We shall have to take into consideration the cost of mining it; of getting it to the surface; of hauling it, if necessary, to the mill or smelter; and the cost of reducing it to bullion. Perhaps the mine is distant from a railroad; perhaps the only available method of extraction is the smelter, and the smelter is many miles away.

The bullion costs us more to produce than the value it represents, consequently our tonnage is practically valueless.

The mining engineer when examining a mining property, investigates the cost of operation, and also reports upon the available methods and their cost for reducing the ore to bullion. These are important points to be considered in basing judgment as to the valuation of a mining proposition.

Illustrating the need of a National Department of Mining, to assist the miner in discovering new processes for the extraction of values in certain kinds of ore, it was stated in a public address that notwithstanding the great strides made in this direction, not one-quarter of the known gold deposits of this country can as yet be utilized.

This is a remarkable statement, and its force should be duly appreciated by the investing public.

Of course, there is the hope that some day the required process will be devised, but rarely is any provision made by the promoters of companies which have such ore to be able to wait until that day arrives. A company may have clear title to its property. That property may be patented, but there are taxes and other things to be kept up, and it is weary waiting for the other fellow to evolve a scheme for making your ore valuable. The companies may pass

out of existence long before their ore has been made marketable by the discovery of the required process.

The greatest minds in the scientific world, are constantly experimenting to the end of lowering the cost of handling various kinds of ores. The progress being made in wonderful, and represents the highest form of progressive skill. There are however, vast stores of mineral wealth awaiting the advent of suitable economical processes for extracting the hidden values.

If the ore in the mine considered, is amenable to some known process, and can be handled at a profit, why so much the better. In the case of mines situated in a well-known district where the pioneer work of experimenting has already been done, there will be but little question about handling it. If the ore is of a well-known, and tried character, so much better for the success of the venture.

Remember though, that the proof is in the mill and smelter returns, and that this question is one which it is imperatively necessary to definitely determine.

Experimental plants, and new processes, are delusive to the uninformed, and it is better to leave investment in them to more experienced operators. This is not said to discourage such experiment, but those who invest must remember that there is a risk attached, and they must be prepared to take the risk, judging for themselves whether it be a good one.

There are many failures in mining through milling "mistakes." In almost any camp one can find abandoned milling enterprises, monuments to the blighted hopes of fortune hunters of other days. The failure of these mills invariably meant the collapse of the mining enterprise, those interested not caring to venture more money to retrieve their losses in a folorn hope.

In some cases the mill represented a new process, designed to revolutionize the mining business. "New process" mills now stand as monuments in many camps. Some

of these were a success on a small scale, but a failure when designed to handle ore in commercial quantities.

Other mill failures are the result of blindly choosing a wrong process, when the proper and successful method could have been ascertained, had but a little trouble and business precaution been exercised.

The foolish practice is followed by some, of erecting mills before the ore is found, and properly tested. Then when the ore is opened, it has been found that the mill will not extract the values. The blind foolishness of such a practice need not be discussed. It will be plainly evident to all business investors.

The ore first, and the mill afterward is the proper policy, and there are established concerns to which ore may be sent for determination as to the best method of extraction to be employed. There is no longer any excuse for milling mistakes.

There is a fascination about high grade mineral deposits. We all like to read, or listen to tales of rich strikes, where the precious metal occurs in a native state, or even when the values are hidden in a refractory character of ore, but are nevertheless there. The big nuggets of the placers of the world have, by reports of their discovery, thrilled millions of people and fired thousands with a burning desire to join in the search for similar treasures.

Nor is the fascination of mineral riches confined to the laymen. Many prospectors and miners of other classes are unduly fascinated by the charms of the solid stuff—the high grade—and their blind fascination oftentimes is the means of them passing up untold wealth, in the form of low grade deposits, which invariably are more regular and more permanent than the other kind.

The discovery of a pocket of "high grade" in any camp will result in a large amount of dead work being undertaken in the immediate vicinity. Incidents in the history of Cripple Creek might be cited, where hundreds of thousands of dollars have been spent in sinking shafts off

the vein, and driving blind cross-cuts all over the country, searching for bunches or pockets similar to those in a neighboring bonanza. The history of other camps famous for their high grade deposits includes many similar instances.

But the more one studies the subject, the more it is evident, that if the same amount of money, time and energy, expended in the fruitless search for high grade, were directed toward low grade propositions, wealth would result where often there is discouragement and irredeemable losses.

High grade has a fascination, true, but should not the wealth of a Homestake or an Alaska-Treadwell be equally so?

All over the west are to be found, camps which have proved deposits of low grade which can now be profitably handled. These deposits occur for the most part in strong fissures and are regular and permanent without question. The successful and profitable mining of them requires extensive and comparatively costly systems of operation. The operation requires business methods, and as a matter of fact it is nothing but a manufacturing proposition—as sure and as conservative.

But the investor if often duped by the stories of the accomplishments of some of the world famous low grade producers. It does not follow that every low grade deposit will develop into a Homestake or an Alaska-Treadwell!

The successful operation of a low grade mine invariably is dependent upon the handling of a maximum tonnage at a minimum of expense.

The same business shrewdness and conservative judgment is required to successfully operate a low grade producer, as in the handling of a large mercantile or manufacturing establishment.

The successful operation of low grade mines is the result of the scientific application of economic principles to mining. The mining and milling machinery of a low grade producer represents the highest form of mechanical achievement as applied to mining.

The value of a low grade deposit is dependent upon (1) its amenability to some treatment process, (2) railroad facilities, (3) water, (4) the machinery necessary to operate on the scale which alone can make the handling of it profitable, (5) proper business management of the operations.

A mountain of ore, of too low a grade to be profitably handled, is valueless, no matter if, as some prospectuses show, the mountain is "all ore," and the ore is all "in sight."

It is a regrettable fact that many promoters, some without scruples and others ignorant of the mining business, make claims for their ores which are not warranted by the actual conditions. They suggest that what the Homestake can do other mines can do. This is true, provided the other mines have the ore deposits, the proper character of ore and the facilities for handling it.

Do you know that the improvements, machinery, etc., at the Homestake mine, represent in themselves, an investment of millions and millions of dollars? Do you know that the water facilities alone, at the Homestake mine, cost the company over a million of dollars to acquire?

Do you know that the matter of an additional cost of 2 cents per ton was the means of changing the site of one of the Homestake mills, thereby saving this cost for extra profit?

Even one cent per ton where hundreds of thousands of tons are handled runs into big money. And these are the conditions at the Homestake, and other large low grade mining enterprises. It is a question of handling a maximum tonnage at a minimum of expense; and a small margin of profit per ton representing millions in the aggregate.

This is not presented to discourage investment in low grade producers. There is wealth, and profit in low grade ore. The mining of it, is, however, reduced to the nicety of a manufacturing proposition; and the highest form of

economical business operations is necessary to insure success.

The presentation of actual facts is made, so that when investors are asked to participate in a low grade proposition, on the strength of what the Homestake or some other mine has accomplished, they may be able to intelligently consider the matter.

Another delusion which must be avoided is that of the situation of claims. It has become a practice to secure ground near—adjoining, if possible—a well-known producer, and to sell stock in a company organized upon such ground solely on the strength of its situation.

Investors should not be deceived in this connection. It does not necessarily follow that adjoining ground to a bonanza, even though it has the same vein, is productive ground. There are many proved instances where the adjoining ground to a big shipper is less productive than property situated some distance away.

The situation of mining properties is an important factor in the estimation of their value. Ground adjoining a bonanza, is of necessity, in an aristocratic neighborhood, but it is not an absolute assurance that it also will develop into a bonanza.

Let us take the case of a property adjoining a well known bonanza, and side-lining on the west with that property. The vein of the bonanza strikes nearly north and south—parallel to the property we are discussing. The vein passes out of the north and south end lines, thus giving the company owning the bonanza extra lateral rights over the ore.

The vein dipping to the west, it could be followed clear into and through the adjoining property, and all the ore would belong to the owners of the bonanza. The property to the east, with the bonanza vein dipping west and away from the eastern property, would be less valuable than the one to the west, so far as that vein is concerned.

Of course, there is always the probability of cross

veins, or even parallel veins. Veins are more numerous than ore shoots, and veins containing no ore shoots, from their deceptive and alluring propensities, are in reality less valuable to the miner than country rock. However, reference is made particularly to claims made for nearby neighbors of bonanzas, in each instance of which, the promoter in his advertisement represents the possibilities, as in direct connection with the "big fellow's" bonanza vein.

Another example might be cited of a property located, say, to the south of the bonanza in question. Such a property would most likely have the southern extension of the vein. But the ore shoot in this vein pitches north along the course of the vein. Of course there is always a possibility of the occurrence to the south of a second shoot, but the claims for the property being advertised are based on the riches of the bonanza shoot—of that already proved.

Ground may have excellent mineral indications, but it is the actual opening of the ore which gives it its real value as mineral-producing territory.

Investors should not therefore be unduly influenced by claims made for property, on account of its proximity to a producer. As has been shown, it is possible to be near, if not actually adjoining a producing mine, but far distant from productive ore. In mining, as in other things, 'a miss is as good as a mile.'

A theoretical knowledge of mining, even the elementary principles, is very essential to mining investors. They should read, and study the subject, as far as they are able. It will be found fascinating, and not very difficult.

They should, wherever possible, visit the mining sections, and the mines: nose around all they possibly can; ask as many questions as their entertainers will stand for; and thereby arm themselves with knowledge which will prove invaluable to them.

Do not forget that in arriving at an intelligent basis of valuation of a mining proposition, one is best armed who has the most information, and the best knowledge of the subject considered.

CHAPTER XII.

"IT'S ALL ORE"—ORE IN SIGHT AND ORE OUT OF SIGHT—A FOOLISH ARGUMENT EXPLODED—WHAT COMPANIES ARE CHARTERED TO DO AND WHAT THEY CANNOT DO—THE BOY WHO TURNED THE LAUGH ON THE OLD MAN—THE FAKIR IS A HARMLESS INDIVIDUAL—BUSINESS MEN IN MINING—THERE ARE PITFALLS IN MINING FINANCE—INVESTIGATE!

"All is not gold that glitters"—and all gold, as it is deposited by nature, does not glitter by any means.

Nor is everything in a gold mine, the precious metal so coveted by man. Not always is all the mineral to be seen in a gold mine, ore of marketable quantity, and size.

That which one can actually see in a mine, plays an important part, and very misleading to investors is the term ' in sight,' which is frequently used by people who have not the proper knowledge themselves of its actual meaning.

Perhaps the most extraordinary demand placed upon the susceptible, of what proved to be by no means deceptive vision, occurred whilst the writer was inspecting, with a party of gentlemen, a certain producing gold mine.

Upon arrival at the level, and alighting from the bucket, one of the party asked the accommodating individual who was host for the occasion:

"Mr. So-and-So, where is your ore?"

"It's all ore; everything you see is ore," was the astonishing reply.

"Is that so?" said the questioner, himself something of a miner. "and what will the timbers run?"

As a matter of fact stopes had been carried up from the level, and there was practically no ore whatever, within the range of vision.

Claims made for 'ore in sight' even when visiting a mine, and particularly when one has not seen the mine, should not be accepted too literally, except where they are made over the signature of some reputable mining engineer or other qualified authority—and then, they are less likely to deal with fabulous sums, even though the mine be a big one.

Stratton's Independence sold for $10,000,000 on an engineer's report of less than $7,000,000 ore in sight; yet many prospects are presented to investors, with many times this amount claimed to be 'in sight.' Investigation will sometimes show that these propositions, having but shallow workings, it would be a physical impossibility, for there to be more than perhaps a few hundred tons of ore blocked out.

And ore is not "in sight" until it has been actually opened!

It is accepted by mining engineers, that 'ore in sight' shall represent that the ore body be opened on three sides. This means, for example, two levels driven in the ore and a raise, shaft or winze connecting the levels, and all in ore.

The conservative mining authority realizes, that he cannot see into the ground, if that ground is not opened. He will not make claims except on what he can actually see.

The man who advertised "$20,000,000 in sight and $80,000,000 when we cut the vein," was making a claim, which, in mining, is regarded as a physical impossibility.

Investors should not be mislead by announcements of "mountains of ore in sight;" "millions and millions in sight."

If there are millions actually "in sight" the stock does not have to be advertised. The reserves can be measured up, and their values approximated, like so many acres of wheat; and there is a ready market for them.

Those having millions 'in sight' can borrow all the

money they need for development from people who are only too pleased to get such gilt edge security for their loans.

When approached with a proposition which is "all ore," which has "millions in sight," suggest to the man who has the proposition, that he had better talk business; that you will be able to understand him better. Just for curiosity ask him how he figured out his reserves.

It is frequently suggested to mining promoters, that if their mines are so good why do not the local people keep them for themselves

Those who talk this way, have not kept in touch with the development of the country, and have a very limited knowledge of business.

Where would the great west be to-day, had it not been for the vast sums of money, sent here for the development of our magnificent resources?

What would be the condition generally of the country, were there no money forthcoming for investment?

Are all local industries in the east or anywhere else developed by local capital?

No. We need oodles of money to develop our mines, and our other natural resources. We need money for developing our infant industries, and for building up big cities with modern improvements and conveniences.

The west offers magnificent opportunities for investment in mines, and in other things. The westerner has every available cent of his own invested, and sets others an example in daring, and faith in the outcome. He must, however, seek the aid of others, and with them share his profits.

Some day we shall be big enough, and strong enough financially, to require no outside aid, but that day has not yet arrived. When it does, the outsider will not be given the opportunities now presented.

Those who argue along lines suggested, had better

broaden out; and when they come to their senses, the first thing they should do is to 'get busy' in mining—along business lines.

In investigating mining properties, do not forget that an abstract of title can be had for a piece of mining ground, the same as in the case of city real estate. A letter to the county clerk of the district, where the property is supposed to be situated, will acquaint the easterner of the amount of the fee necessary, to obtain an abstract of the property of the company in which he is asked to invest.

It is sometimes as well to discover, whether or not, an alleged mining company has been regularly incorporated. Do not forget that the mining states have secretaries of state who are very obliging gentlemen, and who are paid to look after such matters. A 2-cent stamp may save an investment in a company, which has not even been incorporated.

The funds of mining companies should always be deposited in the names of these companies, and not in the names of individuals. Instances have been known, where company funds have been deposited, in the name of the promotion firm which floated the proposition, and the firm becoming bankrupt, the company suffered accordingly. These funds belong to the company, and not to any individual or promotion concern. 'Safe bind is safe find.'

By studying the laws governing corporations, it will be found, that corporations are limited in their powers, and particularly to conducting the business designated in the charters, under which they are operating.

Charters granted by some states are more liberal than those of others. However, under the corporation laws of Colorado, and some other states, a mining company can only conduct a mining business. It cannot promote other

companies, or speculate in the stocks of other companies.

Companies must be organized, and chartered, to do the particular business for which they are designed; and when once chartered, they cannot branch out into operations, foreign to their original charter, but must reincorporate along lines which will permit them to carry on the other business desired.

Investors frequently show undue impatience for results, in starting up new plants of machinery at mines, particularly new mills. There is invariably delay occasioned, by necessary alterations and additions; and as with other kinds of machinery, mining and milling machinery rarely runs smoothly at first. Do not be in too great a hurry for results, and thus unduly embarrass and hinder the management, which frequently is doing its very best.

It is a safe rule to follow, that Nature in the distribution of her wealth, has placed her richest deposits in the smallest packages. When large deposits of ore are said to carry big values, accept the reports with a grain of salt. Fabulously rich values occur in very small seams. Good grade smelting ore is rarely distributed over more than a few feet of width. The hundred-foot-wide ore bodies will, if carefully investigated, be found to average very low—perhaps too low to pay to mine.

The man who recommended a mine because it was in a rough, wild country, where inquisitive stockholders would never go, was recommending an ideal proposition for a fakir to foist on the public. This report points its own moral, without further comment being necessary.

Mining becoming reduced more to a business proposition, is attracting more business men as investors, to participate in its splendid profits. This is an encouraging sign, and more business men will become attracted to mining, when

it becomes more generally accepted that mining is a business, and must be so considered, and followed if success would result.

An attractive feature of investments in corporations, lies in the fact, that a business man may engage in a number of enterprises, without encroaching upon his own trade or profession.

Promoters, and others, who make wilful misrepresentations, are liable for the amount of the purchase price. There have been cases, where judgment has been given, and then if the man who has misrepresented is responsible, the money can be collected.

Mining engineers sometimes come high, but it is invariably money well spent to employ them to examine partially developed mines, and to outline the most advantageous method of operation. Money can be spent in development in a wrong direction, which otherwise would be saved by securing professional advice.

Mining engineers and their titles, should be as carefully investigated as the officers of companies. The affix M. E. to a name, has in the past, been interpreted by the man who used it, as 'Mining Expert,' when it might have been supposed to stand for E. M., which is the title awarded by most colleges, and universities for the degree of Mining Engineer. There are experts, and experts.

Some men will squander money for a "flyer" in mining stocks—expecting to lose it—when they would look askance at a proposition to engage in practical mining. An anecdote which appeared in Tit Bits, describes what is likely to happen to such men. It is as follows:

"A young man who had returned home from South Africa, where he had been for his health, narrated his ad-

ventures to his father and told him among other things that he had bought a silver mine for £1,000.

'"I knew they'd swindle you,' exclaimed the old man. 'So you were fool enough to buy a humbug mine?'

'"Yes, but I didn't lose anything. I formed a company and sold half the stock to a Londoner for £1,500'

'"Y-you did?' gasped the old man, turning white. 'I'll bet I'm the one who bought it.'

'"Exactly so,' coolly observed the young man as he crossed his legs and asked his father whose turn it was."

The following tribute to the promoter appeared in an investment paper, and will be endorsed by all:

"The promoter is frequently a much maligned man and many are so inconsiderate, or so superficial, as to condemn all promoters because of the sins of some. Yet the promoter is the John the Baptist of industrial development. Every cause needs a voice crying out in the wilderness and his is the voice that sounds the propaganda of material progress. He rallies the dormant or scattered forces of capital and puts them on the track of well defined creative endeavor, and when honest and decent—and he is as much these things, on the average, as men in other lines—he deserves the approbation and encouragement of all."

Some enterprising promoters once entered into an arrangement with clairvoyants, to the end, that they should recommend their clients to invest in the promoters' mining schemes. if big fortune were desired. Those who took the advice. and acted upon it. were simply blindly gambling with the future. and deserved to lose.

Some authorities hold, that it requires from $25,000 to $50,000 to develop the most promising prospect into a mine. Some mines are developed absolutely from the proceeds of ore actually mined, but such instances are rare. It is always advisable, where practicable, to raise a large fund

for development, even though all the money may not be needed.

Treasury stock belongs to the company, and is retained to be sold as occasion may require. Treasury stock does not participate in dividends. These are only paid on the issued capitalization. To pay dividends on treasury stock, would mean taking money out of the treasury, and paying it back again to the treasury.

There have been instances, where investors have made exceptionally large profits on a mining investment, but declined to realize on their profits, as they wanted more. Then after the security has reacted, and got back, maybe below its original price, these investors, regretting their foolishness, abuse and condemn all mining ventures. It does not do to play 'hog,' and it is well to remember, that few people 'go broke' taking profits.

Those who think that it is prying too much into other people's private business, to inquire how much stock, how much commission, goes to the promoter, would do well to consider the English law on the subject. Under that law even contracts covering commission must be disclosed, as must all contracts essential to the company. English prospectuses must contain all the facts, and for false statements the directors are held financially, and criminally responsible.

The mining fakir in a perfectly harmless individual if one does business with him along business lines—or rather if one takes ordinary business precaution before buying his goods. The trouble is that many investors buy first and investigate afterward. Before investing the most careful investigation should be made not only regarding the mining property, but about the man who is selling the stock. There are plenty of clean, honest mining promoters who

are working hard to place good, safe and promising propositions. These men court the fullest investigation. Be wary of the fellow who does not. Investigate before you invest.

Many instances have been known of Americans who bought stock in a mining company, and could not say in which state their district is situated. These deserve to lose for their blind foolishness.

When you buy a cheap stock, representing nothing, the other fellow gets what you expect—something for nothing. Look before you leap and before you invest see that you are going to get something for your money.

"It is only the ten-cent man wearing a two-dollar hat who says that all mining companies are fakes"—and invariably it will be found, that the hat is about size No. 5.

The man who is induced to invest 'before the advance,' will invariably find that had he waited longer he might have obtained his stock still cheaper. It takes time to prosecute the necessary investigation before investment, in any mining company. The man who encourages the investor to hurry is most probably trying to encourage blind investment.

Money saved is money earned. By not investing $100 in a fake, your profits are just $100. It is better to be safe than sorry. Investing in haste, like marrying in haste, usually means repentance at leisure. Investigate before you invest, not afterward.

Farming is fascinating to the city man who is confined indoors all the year, but it is hard work to the farmer who gets his daily bread through it. It is the same with mining, fascinating true, but when it comes down to brass tacks, it is the hard work, the business judgment, which brings the

daily bread in mining as in farming or any other occupation.

The more discriminating becomes the investing public, the more it becomes educated to consider as a business the matter of mining investments; the more safeguards investors surround themselves with; the fewer will become the fakirs; the greater will become our mining industry, and the more profits will accrue to mining investors.

Mining is a profitable business when undertaken along intelligent business lines. It is likely to prove a most unprofitable proposition when business principles are not followed. But what enterprise is profitable when such foolish methods are pursued? Once in a while successes result from enterprises conducted with no display of business judgment or even ordinary intelligence, but the man who courts luck has a fickle mistress and one which invariably proves a very costly one in the end.

Mining shows greater average profits than investments in railroads, or banks, or other forms of industrials. Do not forget, however, that these profits are best assured, when business methods are followed. Business investors must fully appreciate the necessity for a thorough investigation before investment in anything. They must investigate intelligently, and be armed with a thorough knowledge of all the pitfalls likely to beset their path. There are pitfalls in mining finance,—as well as pit-falls in other things.

INVESTIGATE!

IDEAL INFORMATION DEPARTMENT.

RATING FIRMS, INDIVIDUALS AND PUBLIC COMPANIES—THE COMMERCIAL AND MERCANTILE AGENCIES—THE INFORMATION DEPARTMENT—NO CHARGE FOR REPORTS—STANDING AND RESPONSIBILITY—FACILITIES FOR GATHERING INFORMATION—POLICY OF PUBLICITY—THE INSIPID STOCK LIST—HEW TO THE LINE; LET THE CHIPS FALL WHERE THEY MAY.

When merchants desire a rating on some firm or individual they apply to one of the accredited commercial or mercantile agencies and they are furnished with a report upon which they are able to base their judgment.

They are informed whether the credit is good, bad or only fair. And if no information is obtainable by the institution, the aid of which is solicited, an unfavorable report is rendered, and the merchant regards with suspicion the proposition investigated.

Under such conditions no credit is given; no more so than if the credit were reported absolutely bad.

The commercial and mercantile agencies play an important part in the business world. They are a valuable facility; an established institution. They enable the conduct of business transactions between firms operating in various parts of the country, even though the members of these firms have never met each other.

Continual and frequent rating and reporting keeps business men in close touch with the financial responsibilities and credit of those who constitute the business world.

Honorable business men have become so accustomed to having their affairs investigated by these institutions that they rarely question the right of making such demands upon them. They themselves secure for their information ratings on other firms and therefore expect to have their own business standing investigated for others.

When private business concerns, operating as such, encourage such a system, designed for facilitating commerce and the exchange of credit, why should public corporations, organized and financed as such, object to being investigated?

There is no good reason.

On the contrary, there is every reason why they should not object.

The corporations obtain their charters, under which they operate from the state; from the people who constitute the state. They go before the public for the sale of their stock and are from every viewpoint public institutions. They are comprised of the public, through the medium of their stockholders; and they operate under charters granted by the public, through its representative, the state.

The public is entitled at all times to full reports covering the financial and physical condition of these companies. They are public companies and their affairs are of public interest at all times—and especially to that part of the public which has, by buying stock, become shareholders in these companies.

When these companies go before the public for the sale of stock they will not expect intelligent investors to invest unless full statements are rendered covering every phase and detail of the company's organization; its financial and physical condition, and its proposed plan of operation.

The investor who invested without first obtaining this information would be investing blindly; he would be buying 'a pig in a poke,' and should expect to lose out.

Few companies are so blind to their own interest, who have such a contempt for the public; as to expect to sell stock without first furnishing information. A larger number display such a defect after the financing period than before it.

But to reiterate, the public is as much entitled to this information after, as before.

"Publicity can do no harm to the honest corporation."

But what facilities are there by which the public can obtain information and ratings regarding these public companies, and especially mining companies?

Except in a few instances where the states require reports from their public companies, none are obtainable through this source. And these state reports are not sufficiently full to enable an investor to base an intelligent judgment.

The commercial and mercantile agencies will report upon mining companies, but their reports are not of much value by reason of their necessary incomplete character. These institutions have not the facilities for making such reports, nor do they claim to have.

They can splendidly rate the standing of the individual officers and of the promotion firm, and they may be able to obtain some information regarding the company. There is, however, much other essential information which is invariably not forthcoming.

The fuller the facts and the higher the authority furnishing these facts, the better able is the investor to base his judgment as to the merit of a mining proposition.

There is one other facility provided and that is the Information Department of a mining or investment publication.

This institution was originated to supply the demand of perplexed investors in mining stocks. It was designed to do for mining investors what the commercial and mercantile agencies do for merchants and commerce generally. Adapted to the peculiar requirements of mining and dealing exclusively with public companies, it operates somewhat differently from the agencies referred to, but is designed to reach the same ends.

The pioneer Information Department is that of the Daily Mining Record, a publication which was started in 1889 and which has never missed a business day issue since that time. Long before President Roosevelt gave voice

to his above quoted sentiment in regard to publicity, the Record was strongly advocating such a policy, in regard to public mining companies, and the crusade has been steadily and unflinchingly prosecuted ever since. It has been the sturdy and untiring foe of the mining fakir and the staunch friend and protector of the investing public. The pioneer, it still leads, and has the hearty co-operation of the clean element in mining.

Investors in seeking assistance from Information Departments must consider (1) the responsibility and standing of these departments, and (2) their facilities for furnishing the information required.

There are several Information Departments in name only. Only a very few will stand the rigid test necessary to determine their character. These cheerfully submit to the most rigid investigation; they court such investigations freely and fearlessly.

In the first place they must be free, independent and absolutely unbiased. Their editors or publishers must be interested themselves in no mining promotions or mining companies. It stands to reason that if these men are themselves promoters or officers of mining companies that they cannot give unbiased reports on these companies. The probability is that they may also be inclined to 'club' the other companies and push their own as being more desirable and attractive investments.

None of the publishers, managers, editors or any of the salaried employes of the Daily Mining Record are promoters, directors or officers of any mining companies, nor are they permitted to act as such and retain their positions on the paper.

The fullest investigation is cheerfully courted by these men as to their standing, reputation, and honesty.

The publisher having built up an established newspaper enterprise is rated by the mercantile and commercial agencies on a par with merchants and other business men of the community.

For sixteen years the Daily Mining Record has been in existence. During that time there has never been cast by decent and responsible parties any aspersion against its methods; nor proved against it by irresponsible and unscrupulous parties any charge of a legal or moral charter.

During this time an editor of the paper has been made the victim of a murderous attack, perpetrated when his back was turned, by a mining fakir whose operations he had exposed and who afterward went to the penitentiary for his unscrupulous methods and wilful misrepresentations.

The paper and those connected with it have been made defendants in civil actions for heavy damages on the grounds of alleged libel, but no judgment has ever been rendered against the defendants to these actions.

By the exposures the Record has made; by the evidence it has gathered; many mining fakirs have been caught in the toils, and have been sent to the penitentiary for their crimes.

Hundreds of thousands of dollars have been saved the investing public by these exposures made by the Record in its unrelenting fight against the fakir who persists in preying upon the mining industry.

In its work of ridding the industry of the fakir pest the Record has the support and co-operation of the clean, of the best element among miners, mine operators, mine promoters, mining companies and mining investors. References to public institutions, such as chambers of commerce and mining stock exchanges, and to banks and business men in every section of the country and abroad will be cheerfully furnished on request.

Nor is the Record without honor in its home community. It boasts an enviable local standing possessed in such a degree by few publications anywhere.

Realizing that confidence must be firmly established for the successful conduct of such a paper and particularly for the conduct of an Information Department of

such a high character, the Record has cherished its reputation for honesty and fair dealing, for independent and unbiased reports and the Record's record is and always has been an open book.

In some instances alleged Information Departments have been established for the sole purpose of blackmailing mining companies and others. Unless the victims 'put up,' a roast is administered, and the fear of adverse criticism makes those against whom such operations are conducted an easy prey to these blood-sucking leeches; these are disgraces to civilization and the honorable profession of journalism.

Some information Departments are designed for cooperation with the business department of the paper to flog advertisers into doing business. Advertisers' propositions are always reported upon favorably and others adversely.

The temptation to the publishers of such papers is great and to the narrow-minded element of the public the whole proposition savors of blackmail. Promoters who are criticized cry 'blackmail,,' and the duped investor, closing his eyes to the logic of the criticism, accepts the defense of the fakir—and is parted with his money.

The cry has frequently been made when the Record has been called upon to criticise. The accusation, made directly or indirectly, has always been fearlessly defended—and through the open columns of the paper.

The White Light of Publicity so freely urged by the Record against public companies is turned upon itself unsparingly.

The accusation is published and logically defended and answered. Full evidence is presented and the public is left to judge in the matter.

And the columns of the paper are thrown open to the person or persons criticised, to answer the criticism, and to refute the evidence presented.

Could anything fairer be desired?

Rarely do those criticised avail themselves of the use of the paper's columns, and the intelligent investor governs himself accordingly.

There is no connection between the business department and the Information Department of the Daily Mining Record. The right hand, so to speak, knoweth not what the left hand doeth, except when criticism is made, and then the proposition criticised is refused the use of the advertising columns.

The Record does not indorse those propositions advertised in its columns, although it knows nothing to the detriment of any of its advertisers—or their business would not be accepted.

The Record aims to keep its advertising columns free from fakes and questionable propositions, but it urges as thorough investigation before investment in those companies advertised with it, as those which are not.

The Record cheerfully investigates, and makes its investigation just as thoroughly, of those companies whose advertisements it accepts as those which are not included in its columns.

Thousands of dollars' worth of undesirable advertising is refused annually by the Daily Mining Record. It is a frequent necessity to cancel existing contracts with advertisers of whom the Record has found something to their detriment and their business is no longer desirable.

The Record publishers consider that their best patrons are the investor-subscribers to their paper. They publish in their interest and would continue to publish were the desirable class of advertisers reduced to a minimum and the enterprise were barely on a paying basis. Happily, however, there are a large number of clean, reputable and desirable advertisers to support the magnificent enterprise represented by the Daily Mining Record.

The Record does not, it does not have to club advertisers into its columns.

Let us investigate the matter of blackmail a little fur-

ther and compare the system of the Information Department with that of commercial or mercantile agencies.

How can blackmail be suggested when information is solicited and no mention or suggestion is made of business with the person solicited?

Unlike the other agencies the Record does not even make a charge for a report. These reports are absolutely free to regular subscribers to the daily or Saturday edition.

The agencies are paid for their reports. They always report. When the information they desire is not forthcoming they, like the Record, consider that non-compliance with requests made, conducive to suspicion, and report unfavorably.

The agencies are paid for unfavorable reports the same as for favorable ones. The Record gets paid for no reports. The privileges of its Information Department are extended free to all subscribers.

It is apparent, therefore, that the Record has as good legal and moral right to demand information as have the commercial agencies.

The Record is to mining investors what these agencies are to merchants. It provides a facility invaluable and absolutely necessary for their guidance and safeguard.

As merchants and business men have become educated and used to furnishing reports to these agencies, so do the better class of mining promoters and company officers freely and at all times render full reports to the Information Department of the Daily Mining Record.

Instead of a detriment to their business, they consider this institution as a valuable aid and a necessary facility. They shun not publicity, but court it freely and fearlessly.

It is usually the undesirable class of companies, which hesitate in furnishing information and when criticised make cowardly, unfair, and illogical insinuations.

The Record dislikes the work of exposing questionable mining schemes.

The Record believes that such exposures are to a cer-

tain extent harmful; that they tend to prevent investment in legitimate as well as illegitimate enterprises.

The unintelligent class of investors get the idea that all mining ventures are fakes because a few are exposed.

Record readers know the fallacy of this and the belief is held that such exposures tend rather to open their eyes the wider and to make them proof against the machinations of the unscrupulous.

The task is an unpleasant one; a thankless one, but nevertheless a most necessary one.

The fakir must be fought at every turn and the investing class must be educated to know him if we would purge the industry of the pest preying upon it.

The Record has received much valuable encouragement from people all over the country in its self-appointed task of exposing questionable propositions.

During the long period the Record has been published in the interest of mining investors and clean mining methods, it has been able to build up a splendid reputation for honesty and reliability. It has stood the test of time and it does not now hesitate in fearlessly and freely courting the strictest investigation regarding its past methods and standing and those of to-day.

The reader will have become satisfied in his mind that the Daily Mining Record as a responsible medium is above reproach. It stands alone in a unique position, providing protection to the investing public, and the public can unhesitatingly repose in it the strictest confidence.

And what of the Record's facilities for furnishing information to investors?

Not unnaturally, during the number of years during which the Record's Information Department has been in existence a vast amount of data and valuable information pertaining to mining companies, has been accumulated. There are in reality mountains of data, prospectuses, and printed matter of all descriptions. In addition there is a file of mining directories of all sections compiled at various

times. Each directory has been added to the Records' library as published.

An elaborate system of filing has been introduced, and this at once appeals to all who visit the office and inspect the extensive and handy system in use.

It would be impossible to venture an estimate of the number of companies represented in the Record's files. Thousands and thousands are included and perhaps the best description of the complete character of the files is that out of the hundreds of inquiries received daily, fully 90 per cent. can be traced.

Each company being indexed separately and the system of accumulating, clipping, and filing having been in existence for years, there is represented complete histories of thousands of mining and oil companies.

Specially qualified filing clerks are employed to keep these files up to date. Those who are on the editorial staff of the Information Department are exceptionally qualified for this particular work, being trained in such a way that their judgment is an important factor in the splendid service rendered investors.

Long experience in handling companies has developed in these men a discrimination between the good and the bad which enables them almost to brand a company at first sight.

But first sight methods are not permitted. The very best service possible is rendered the investing public. There are no haphazard methods or snap judgments. Investigations are carefully and thoroughly prosecuted and no report is made until the examination has been extensively and perfectly conducted.

Hasty judgment might wreak a hardship on a meritorious venture and no finger is ever raised to hinder legitimate operation.

Being specially trained authorities on mining and mining finance, these men base their judgment on an excep-

tional knowledge, making their reports invaluable to the investing public.

The mercantile and commercial agencies, when called upon to report upon mining companies, do so under a disadvantage. Their employes, lacking the special training, are unable to report intelligently, and their reports are also lacking in essential detail to form a judgment.

Frequently the agencies ask the co-operation of the Record when asked to report upon mining companies. This the Record freely gives, giving the agencies' men access to its files and assisting them in forming their judgment.

So you see the agencies themselves appreciate the exceptional facilities of the Record and have confidence in it and the work it is doing!

The agencies accept Record information as reliable and valuable.

In addition to its elaborate files and their data the Record has an army of correspondents in all parts of the country. In every mining camp reliable men assist the Record in its investigation of companies.

Every means is exhausted to secure the fullest and most reliable information regarding companies for which inquiries are received. No expense or pains are spared.

Voluminous is the correspondence conducted in connection with many inquiries, and a sight of this correspondence would astonish investors who do not appreciate the amount of work undertaken in the interest of their inquiries.

In furtherance of the policy of publicity, there is required in connection with every investigation an official statement covering the financial and physical condition of companies. Such statements are demanded from public companies and failure to comply is the occasion for adverse public report to be made.

"Publicity can do no harm to the honest corporation."

Stockholders in mining companies often find that after purchasing their stock the officers refuse to divulge in-

formation regarding the affairs of these companies. These stockholders apply to the Record for the information.

Officers of companies who refuse this information, who make promises before they get investors' money and close up like clams afterwards, even though they at the time may not be selling any stock, should be criticised and advertised through the public press, so that the investing public may know what manner of people they are. And this is part of the work the Record has undertaken and is accomplishing with gratifying success in the interest of clean mining and the investing public.

Omissions from statements furnished and indefinite information investors are warned to view with suspicion. Omissions and indefinite statements are pointed out in the Record's reports for the guidance of less informed investors. Inconsistencies and misrepresentations are likewise referred to so that the investor may be rendered all the assistance possible in forming his judgment as to merit.

When public companies fail or refuse to report; or whenever the Record thinks that these companies do not merit the confidence of the investing public, they are so branded—and for this purpose the Record's Insipid Stock List was established many years ago, and to-day serves as an invaluable guide for investors.

This list is published on the first Saturday of each month and it contains the names of hundreds of mining companies which do not merit investors' confidence.

These companies are not all supposed to represent fakes, or collapsed companies. They are classified and keyed and the reason for being included in the list in each instance is plainly specified.

The list is keyed as follows:

A fake.

Defunct

Probably defunct.

Refuses to report.

Has no property, but organization intact.

Condition unsatisfactory (many are probably defunct, but direct data from company is insufficient to determine absolutely).

Companies not keyed have not absolutely refused to report, neither have they acknowledged inquiry from the Record. In no instance have they submitted a complete and satisfactory report.

No legitimate and meritorious company would think of permitting its name to appear in the Record's Insipid Stock List, especially through neglect of its officers to furnish the information desired. No company need have any fear of being included there if the ordinary requirements of publicity and duty to shareholders have been complied with.

As an institution the Record's Insipid Stock List is invaluable to investors, as will be plainly evident. It prevents them from investing in companies which should be viewed with suspicion by virtue of their shunning the light; and better still, it precludes investment in tinselled certificates representing absolutely no property value.

The Record's Information Department is designed for the purpose of furnishing the fullest possible information for stockholders and prospective stockholders in mining companies. It was originated in the interest of clean mining methods; to demonstrate, and by this demonstration to educate the investing public to the fact that mining is a business and not a gamble.

The giving of advice is refrained from. The Record does not and could not afford to indorse individual propositions. This would be unfair to other companies and unfair to the public. No reputable authority could afford to do this.

The Record is not conducting a brokerage business, but a mining and investment newspaper enterprise.

Advice is best obtained from a broker.

The Record furnishes the facts pertaining to mining companies; full facts; fuller facts than any other medium or institution can supply. It guides its readers by in-

structive and comprehensive argument and discussion on general topics of mining and mining finance, and the readers are thereby able to base their own intelligent judgment as to merit in the case of individual propositions.

Intelligent investors do not want more. They are only too pleased to get the full facts from an authority in whom they can rely.

Investors need have no hesitancy in placing the greatest confidence in the Record; its Information Department, and its reports.

Investors should ever remember that the Record, the great champion of the policy of publicity in the affairs of others, shuns not itself the Great White Light, but cheerfully, freely and fearlessly urges the strictest investigation of itself and its methods, and that its established policy in dealing with all mining companies is

"HEW TO THE LINE, LET THE CHIPS FALL WHERE THEY MAY."

"Investigate before you invest"
How shall I investigate?

PITFALLS

OF MINING FINANCE

PRICE FIFTY CENTS

BY
HARRY J. NEWTON

The Daily Mining Record, Denver, Colorado